

EMNAMBITHI/LADYSMITH MUNICIPALITY



ANNUAL REPORT 2011-2012

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CHAPTER ONE

1.1. MAYOR'S FOREWORD

It is with great pleasure that I hereby present the Annual Report of Emnambithi/Ladysmith Municipality for the 2011/12 financial year.

The report outlines the achievements and challenges experienced by the Municipality. The Municipality takes pride in serving the community as an extension of good governance with decisions taken in the best interest of the people of Ladysmith.

The report is brutally honest about our successes and challenges; however, we have to admit that these challenges are not insurmountable. We are committed in doing what we have to do, which in our view remains the compass of our selflessness. Nobody is perfect. In the execution of our tasks at hand as well as in the process of service delivery, mistakes were occasionally made either by councillors or officials, but I am nonetheless convinced that the community of Ladysmith can be satisfied with the general management of the Local Municipality.

Some of the major challenges that have been addressed during the past year included the shortage of housing, unemployment, poverty, personnel vacancies, unsafe neighbourhoods as well as social problems arising and resulting from the numerous informal settlements. However, standing out as the single most significant challenge, was sustainable water provision to all residents of Ladysmith. The ability to achieve the latter is indicative of the existing progressive competencies within the municipal area and I have to thank each resident of Ladysmith who has contributed to significantly reducing electricity consumption as our contribution to the national call. Together we endeavour to overcome this major challenge.

The Municipality has further promoted the event by upgrading sport facilities and mobilising the community. I would like to thank the people of Ladysmith for supporting these initiatives and initiating their own activities.

During the 2011/12 financial year the Municipality attained various remarkable achievements and results and I would like to highlight a few of these viz:

- ❖ Provision of electricity to homes in informal areas
- ❖ Commencement of the building of top structures - Housing Projects.
- ❖ Building of Mcitsheni and Watersmeet community halls
- ❖ Upgrading of sport infrastructure and Ezakheni Recreational Park
- ❖ Upgrading of Murchison Street

In addition to infrastructure projects, we also implemented a number of social-welfare projects such as soup kitchens, arts and craft support groups, monitoring of crèches, drug and HIV/Aids awareness campaigns, youth development, gender and disability awareness projects. This is indicative of the Municipality's commitment and ability to serve the broader needs of its community.

I would like to express my gratitude towards all Councillors and staff members for again making the 2011/12 financial year a successful year for service delivery. I wish to thank each individual and every organization who unselfishly served their fellow citizens and who constructively contributed towards building and turning Emnambithi/Ladysmith into a better place for all. I also wish to express my gratitude to those who have set the pace in building and maintaining good human relations amongst the citizenry of Ladysmith.

We know that it is not easy for our detractors to acknowledge the strides we have taken as a municipality to unite our people and build a prosperous life for them in our city. We are fighting hard to banish the demon of racial and class segregation that characterized our past and we are at the forefront of building a non-racial and non-sexist society where all residents are guaranteed a life of dignity.

In the spirit of cooperative governance, we built the soundest relationship with national and provincial departments to ensure that there is synergy and cohesion in service delivery. We collaborated with sister municipalities in the West Rand District Municipality in particular, as well as other municipalities across the country in order to share best practice and expertise so that the mandate to create a better life was accelerated. We had a cohort of committed workers who gave their best performance to assist us in realizing our objectives as a municipality. All of these efforts, as the report shows, confirm that we were indeed committed in working together to build a better life.

We are aptly aware of the challenges facing us, but I believe the Municipality has the ability to overcome these challenges and again raise the bar in service delivery standards. The people of the Emnambithi/Ladysmith Municipality can be assured of a working town, both in terms of its ability to deliver, and as a municipality with energy, enthusiasm and unwavering commitment to a better future for all.



SLLR V M MADLALA
MAYOR

1.2. MESSAGE BY THE MUNICIPAL MANAGER

It is a pleasure to present the 2011/2012 Draft Annual Report of the Emnambithi Ladysmith Municipality to citizens, social partners and government. The annual report provides an overview of the local municipality's performance over the 2011/2012 financial year. In the report we highlight the areas of achievement as well as challenges that we came across in our mission to provide a better life for all the citizens of the Emnambithi Ladysmith Municipality.

The administration team is poised and fully aware of the needs of the citizens of the Municipality. The Council has become aware of the demand of our communities to become more socio economic orientated. On the one hand emphasis was placed on the development of the basic services to ensure continued creation of job opportunities through expanded public works programme in the area and in this regard a high level of success was achieved.

On the other hand the council instituted the most basic of free municipal services to assist the poor. Infrastructure in those areas, where it did not exist before, provided communities with access to the economy where previously such opportunities did not exist. It is, however, acknowledged that substantial work is required to continue the trend to look at the poverty existing in many communities in our area.

Our local municipality has reviewed its Performance Management Policy to integrate its strategic direction into the performance management process. This has allowed for better alignment between budget implementation and service delivery. Moreover, the review of the performance management policy and system was aimed at continuously maximising performance and achieving national and provincial priorities as aptly resonated in the national government's key outcomes.

Informed by the council's achievements of the past fifteen years and the needs of communities looking ahead, the municipality in alignment with the KwaZulu-Natal Provincial Government as a whole focused on the following priority areas:

- Creating decent work and building a growing, inclusive economy
- Promoting quality education and skills development
- Providing better health care for all
- Stimulating rural development and food security
- Intensifying the fight against crime and corruption
- Building cohesive and sustainable communities
- Strengthening the developmental state and good governance

The ELM continued to improve its internal capacity through a number of skills development programmes aimed on equipping the staff and councillors with capacity to respectively implement the municipal strategic plan and provide sufficient direction. We are confident that the plans have been developed to see radical improvements on the Audit Opinion in the 2011/2012 financial period.

In conclusion I would like to thank the management team and the entire administration for commitment and contribution over the financial year. I would also like to express gratitude to the Mayor, Councillors, Audit Committee Members and Performance Audit Committee members for their leadership and support in working towards achieving the objectives of the Emnambithi Ladysmith Municipality.



MP KHATHIDE
MUNICIPAL MANAGER

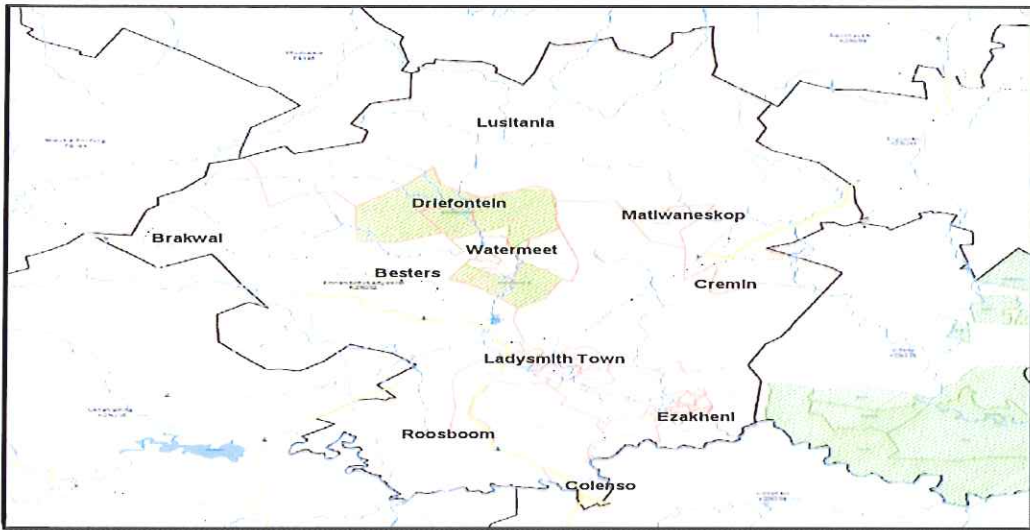
1.3. OVERVIEW OF THE MUNICIPALITY

Emnambithi/Ladysmith Municipality forms part of the Uthukela District Municipality and is situated towards the Northern part of KwaZulu-Natal and half way between Durban and Johannesburg. It is situated alongside of N3 road that connects the two major cities of Durban and Johannesburg. This is a strategic positioning, that makes it easy for the town to recognize by mobility of people, goods and services. The Municipality is classified as a Category B municipality, and is *inter alia* responsible for basic service delivery. The town is made up of approximately 30% of urban communities while 70% is rural.

The map below displays Emnambithi/Ladysmith in the wider uThukela District context:



The Municipality spans an area of 3020km² and covers the following settlement areas and it consists of 27 rural, township and urban areas: the former Ladysmith TLC area, including Steadville and Ezakheni; two settlements administered by Abantungwa-Kolwa Traditional Authority; other settlements and privately owned farmlands, including Roosboom, St Chads, Rantjiesvlakte, Roodepoort, Kleinfontein, Kleinfontein, Doornhoek, Emgazini, Mathondwane, Driefontein, Kirkitullock, Watersmeet, Mtateni, Burford, Watershed, Compensation, Hobsland, Matiwanoskop, Jononskop, Besters, Bluebank, Elandlaagte, Van Reenen, St Joseph's Mission, Cremin, Maria Ratzchitz Mission, Steincoalspruit, Fort Mistake, and Lusitania¹.

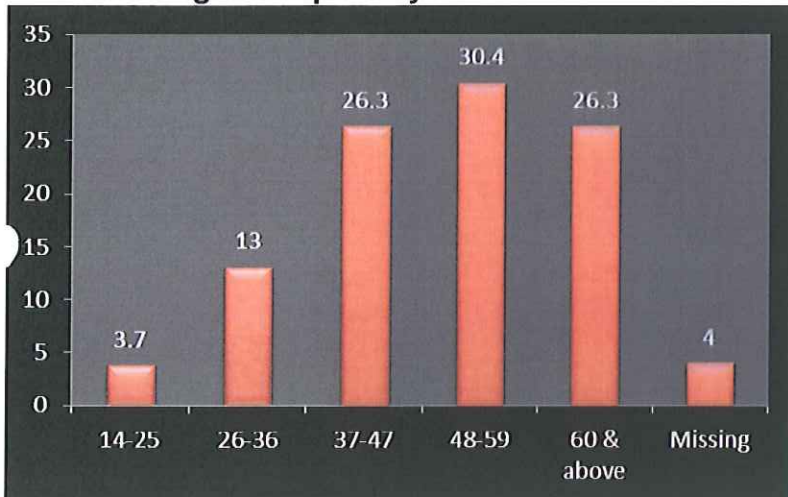


Population size

Population size provides an indication of the volume of demand for government services in a particular geographical space. It also serves as a planning measure to assist budget planners in matching the available resources to the relative demand for services.

The charts on the following page display the population and household profile of the municipality, including population, households, as well as densities:

Bar Chart: Age Group Analysis for heads of households: 2011/2012



Source: Municipal Customer Satisfaction Survey (2012)

In terms of age group the vast majority of heads of households were in category 48-59 (30.4%) the following categories is 37-47 and 60 & above holds (26.3%) respectively followed by category 26-36 (13%) and lastly category 14-25 (3.7%) this shows that most families are headed by people between the ages of 48-59 of which many of them are female single mothers.

The population size of Emnambithi/Ladysmith was 241,091 in 2009. This indicates an average annual population growth rate of 0.84% per year since 2001, which is below the national

population growth average of 1.17% since 2001. There are currently 4.67 people per household. (Quantec's Standard Regional Dataset, 2009)

In terms of racial distribution, in 2009, 91% of the population were Black Africans, with only 1% being Coloured. 6% of the population was Asian while 2% were White. Of the total population in 2009, 53% were female and 47% were male.

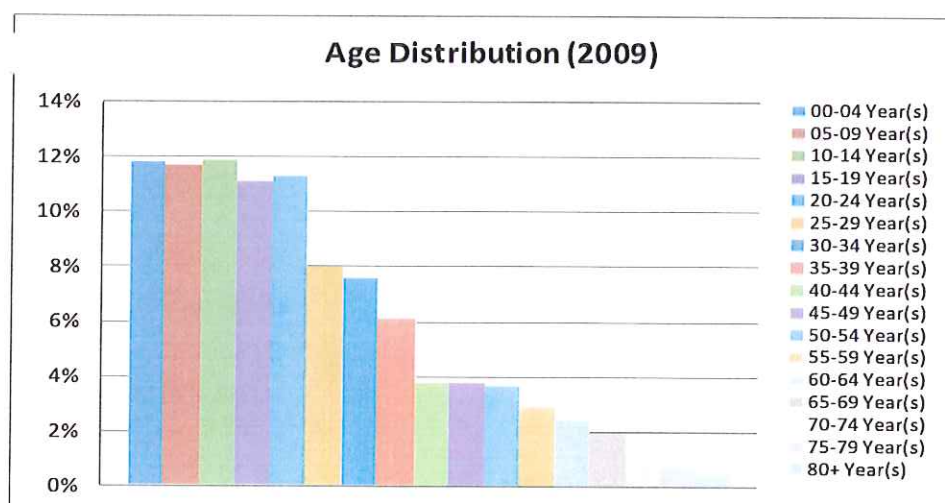
The shape of the age distribution above is of some concern as it indicates that there is a large drop in the population from those aged 20-24 years old and above. This could be due to out-migration of the youth in search of employment in other areas.

46.3% of the population are under the age of 19 years old, which indicates that a large portion of the population is under the working age and that there is high level of dependency in the municipality.

The following table illustrates the status in Emnambithi/Ladysmith's population distribution by age and gender over the period 2001 to 2009. The analysis of the age and gender distribution of Emnambithi/Ladysmith Municipality highlights growth trends, the gender ratio, functional age categorisation and how the age distribution impacts dependency on the potential working population. These statistics provides important insights into the age and gender dynamics of the population and helps in identifying, which groups should be targeted by government, civil society and nongovernmental organisations in order to improve the effectiveness of programmes aimed at a specific population grouping.

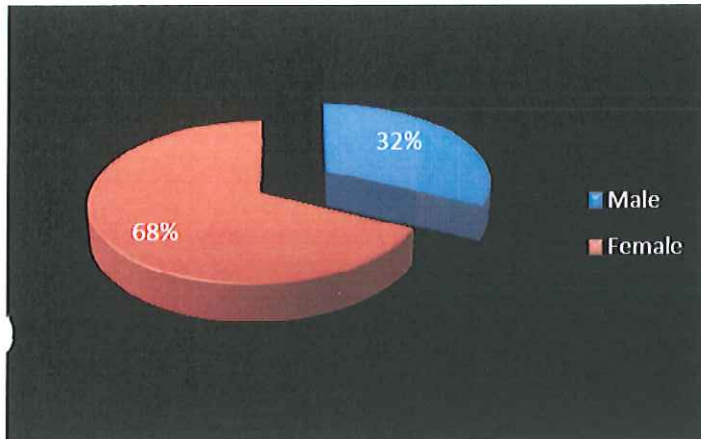
This sub-section undertakes a status quo assessment of the economic sectors in the Emnambithi/Ladysmith Local Municipality. It seeks to identify the main sectors in the economy, to identify trends within each sector, and to provide initial recommendations with regards to the development of certain industries or sectors.

Graph: Age Distribution: 2009



The following bar chart illustrates that, the majority of people were females 183 (67.8%), males 87 (32.2%).the observations indicates that most number of families are female headed which most of them are widows or single mothers.

Bar Chart: Gender Analysis: 2011/2012

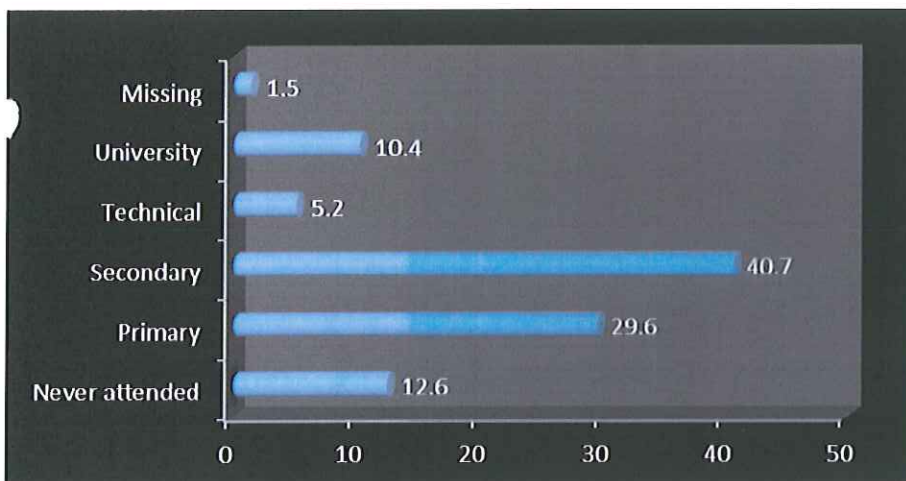


Source: Municipal Customer Satisfaction Survey (2011/2012)

Socio-economic Development

The indicators highlighted in this section attempts to provide some insight into the community's ability to transform itself in a manner, which improves the capacity to fulfil its aspirations. This section of the profile discuss indicators such as education, health, safety and security, household income as well information on the access to social grants within the Emnambithi/Ladysmith Municipality.

Graph: Level of Education in 2011/2012

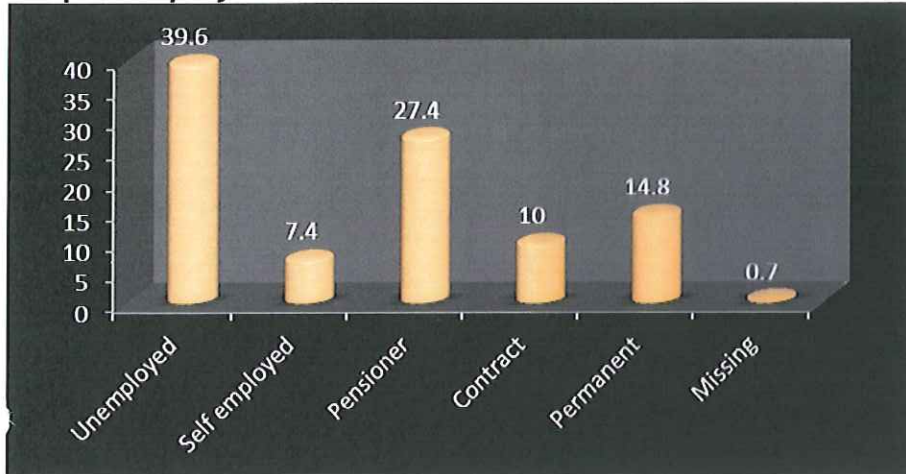


Source: Municipal Customer Satisfaction Survey (2011/2012)

When it comes to education, the majority of people had a secondary education with (40.7%), followed by primary education with (29.6%), those who never attended accounts to (12.6%),

(15.5%) were those who had post metric education. One would comment by saying that the municipality is serving people with basic education fundamentals of reading and writing.

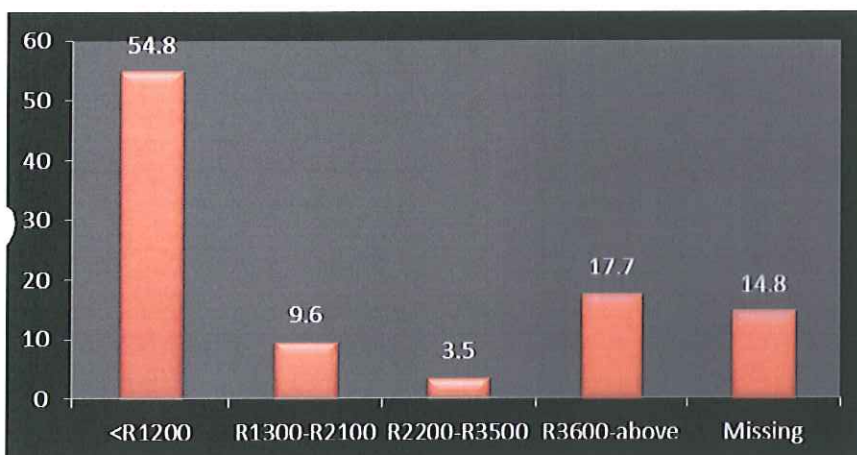
Graph: Employment Status: 2011/2012



Source: Municipal Customer Satisfaction Survey (2011/2012)

There is a high unemployment rate in the municipality that formed the part of the study with the value of 39.6%, followed by 27.4% pensioners, 14.8% permanently employed, 10% contract workers, and lastly 7.4% who claimed that they are self employed. Some might argue by saying to get the exact unemployment rate contract workers must also be included because most contracts takes between six to twelve months. This will lead to unemployment rate to rise to approximately 50%. Furthermore those who indicated that they are pensioners some of them receive social grant when they in an eligible working age.

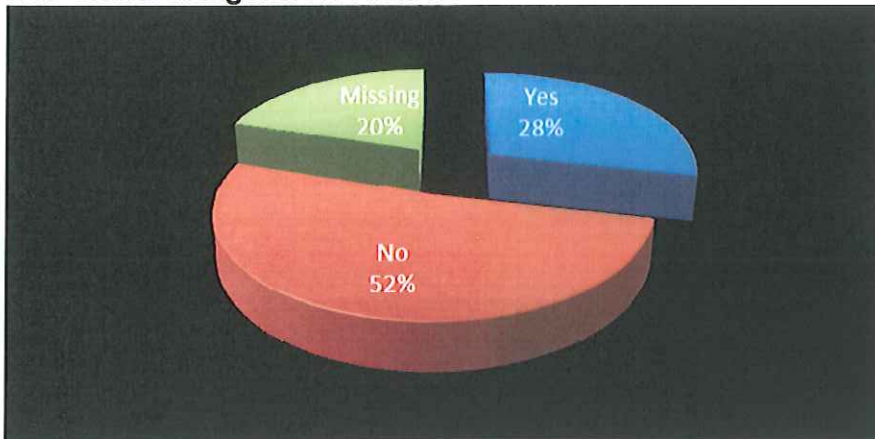
Graph: Households Income in 2011/2012



Source: Municipal Customer Satisfaction Survey (2011/2012)

The survey results shows that only 17.7% are desirable to rates paying because of their monthly income of above R3 500. As there is an expressing surprise of 78.8% of individuals including missing cases which can be classified as indigent that excludes them from paying rates. This plays a negative role in as far as the municipality revenue generating hence have a significance implication in terms of policy decisions making. A lot needs to be done to enhance and encourage more income generation per household through individuals hard work and initiative, rather than to depend more on the state's fiscal policy.

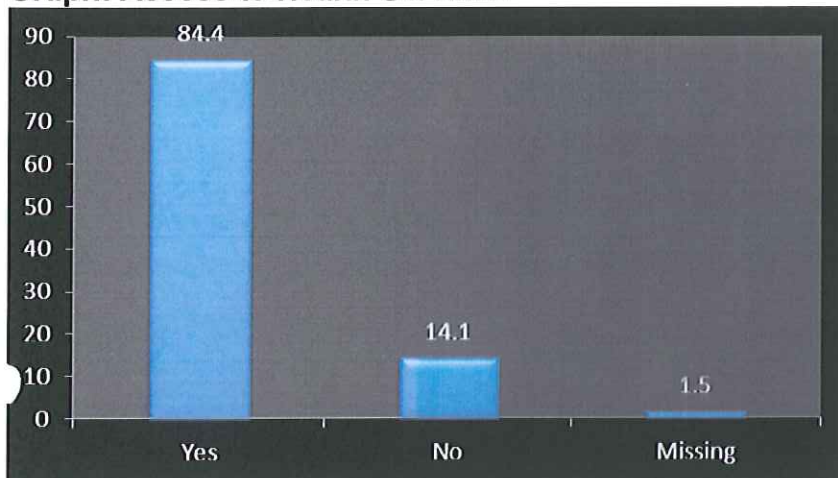
Bar Chart: Indigent: 2011/2012



Source: Municipal Customer Satisfaction Survey (2011/2012)

This is perhaps an uncertain concept which captures ones interest more punctilious clarity is needed to be precise. The previous variable presented above 78% non rates paying individuals which suggested that they are on indigent, most surprisingly in this variable "indigent" the majority of above 51% indicated they are not on indigent and 20% is erratic. This suggests a more emphasis on consumer education.

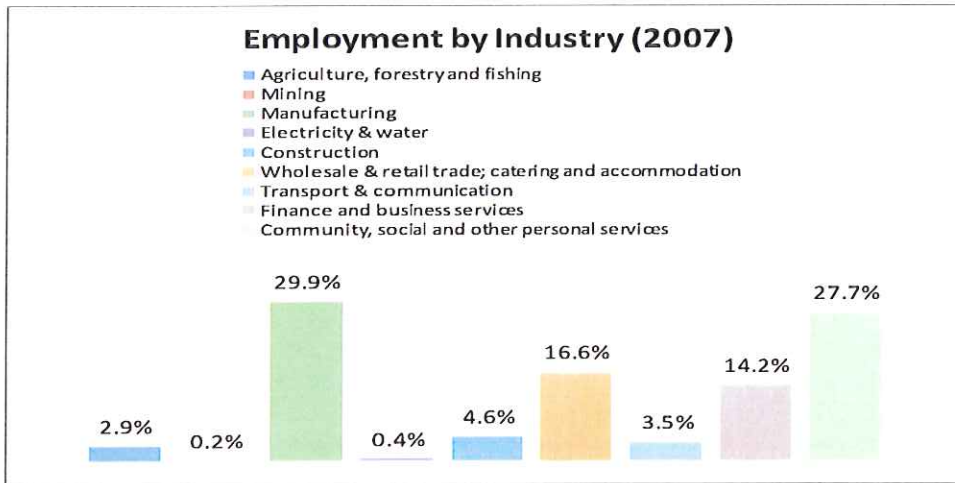
Graph: Access to Health Services



Source: Municipal Customer Satisfaction Survey (2011/2012)

84.4% of households have access to health care facility, and 14.1% do not have access to health facilities. Most number of people uses public clinics with 54.1% response followed by mobile clinic with 32.6% then private doctor with 2.2%, and lastly 0.4% who responded by saying they go to traditional healers for their health needs.

Graph: Employment by Industry: 2007

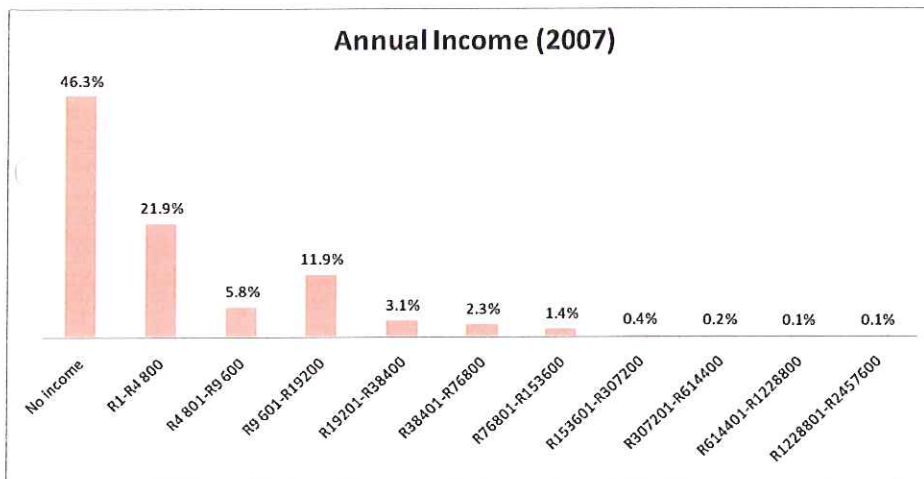


Source: Quantec Database & Urban-Econ (2010)

The manufacturing industry is the largest contributor to employment hiring 29.9% of the formally employed, while community, social and other personal services contributes 27.7% to total formal employment. Wholesale, retail, trade and accommodation contribute 16.6% to formal employment, with finance and business services contribute 14.2%. Other sectors such as construction, agriculture, forestry and fishing, and transport and communications all contribute below 5% to total formal employment.

The Manufacturing Sector Strategy will provide a more in-depth analysis of employment in the manufacturing sector, breaking down this sector into its core sub-sectors. It will also provide an assessment into the critical components of the manufacturing sector that create substantial levels of employment and contribute to growth and economic development in the Emnambithi/Ladysmith local economy.

Graph: Annual Income: 2007



Source: Quantec Database & Urban-Econ (2010)

46.3% of the population do not earn an income. This is consistent with the age distribution presented earlier which indicates that a large portion of the population of over or under the working age (39.7% of the population is under the age of 14 or over the age of 65). Almost 22% of the population earns between R1-R4800 per year, which is less than R400 per month. Almost 6% of

the population earn between R4800-R9600 per year while 11.9% earn between R9600-R19200 per year.

This indicates that 39.6% of the income earning population earn below R1600 per month. Only 7.5% of the population earn over R1600 per month, which indicates that a large percentage of the Emnambithi/Ladysmith population is living in poverty.

1.4. PURPOSE STATEMENT

The purpose of the Emnambithi/Ladysmith Municipality is to provide a well serviced, safe, healthy and economically viable environment that enables all residents to take action so that all communities enjoy a high quality of life.

1.5. VISION

“By 2021, Emnambithi/Ladysmith will be KZN’s vibrant, industrial, commercial, trade and tourism inter-link, where all residents enjoy a prosperous, caring, safe & secure environment which promotes cultural diversity.” The establishment of a sustainable community that will protect the natural resource base for present and future generations; to provide access for all to basic services without compromising the integrity of the natural resources, biodiversity and it’s associated goods and services on which these services rely and to reduce poverty through the creation of sustainable employment opportunities through the optimization of agricultural production and the realization of the areas of tourism opportunities.

The above vision has the following key elements thereto:

- The establishment of a sustainable community. It is implied that one community will be able to operate within the municipal structure and will be enabled to live.
- The protection of the natural resource base. The vision recognizes the importance of natural resources not only for the present generation, but also for the generations to come.
- Basic services are to be made available to all without compromising natural resources. Services should therefore be provided without disturbing the natural environment.
- Creation of employment opportunities. The focus in this respect remains firmly on the agricultural potential and tourism in the area.

The key priority areas of the municipality are:

- Eradication of poverty
- Road improvements
- Access improvements
- Provision of electricity
- Provision of health-care facilities
- Improvements in safety and security

- Provision of housing
- Provision of sports grounds, community centres and community halls
- Solid waste disposal facilities
- Educational facilities
- Job Creation
- Financial Management and Viability
- Organisational Design
- Employment Equity
- Skills Development
- integrated Development Planning
- Performance Management
- Public Participation
- Ward Systems
- Corporate Governance
- Provision of decent human settlement

1.6. INTRODUCTION TO THE ANNUAL REPORT

The Municipal Systems Act (as amended) (MSA) requires municipalities to prepare annual performance reports, based on the approved Integrated Development Plan. The MFMA and MSA, read together, seek to promote financial and performance reporting by municipalities in a single and integrated annual report. The annual report is also an instrument for financial and performance corrective action in subsequent years.

The rigorous requirement for preparation and adoption of financial statements, performance reports and the annual report as a whole is intended to enhance transparency, accountability and good governance.

In terms of section 121(1) of the MFMA, every municipality and municipal entity must prepare an annual report for each financial year. The purpose of an annual report pursuant to section 121(2), is to provide a record of activities, report on performance against the budget and promote accountability to the local community for the decisions made throughout the year.

Table 1.1 Legislative requirements in terms of MFMA

Section	Requirement	Legislative provision	Legislative compliance
121(3)(a)	Annual financial statements of the municipality	Annual Financial Statements of the municipality	Yes
121(3)(b)	Auditor – general’s audit report	Auditor- general’s audit report in terms of S 126(3) on those financial statements	Pending
121(3)(c)	Annual performance report	Annual performance report of the municipality prepared by the municipality in terms of S 46 of the Municipal Systems Act	Yes
121(3)(d)	Auditor-general audit report	Auditor – general audit report in terms of Performance audit section 45(b) of the municipal Systems Act	Pending
121(3)(e)	Accounting officers assessment on arrears	Assessment by the municipality’s accounting officer of any arrears on municipal taxes and service charges	Yes
121(3) (f)	Accounting officers assessment of performance on each vote in the	Assessment by the municipality’s accounting officer of the municipality’s performance against performance on the measurable performance objectives referred to	Yes

	budget	in section 17(3) (b) for each vote in the municipality's approved budget for the relevant financial year	
121(3)(g)	Audit corrective action	Particular of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)	Pending
121(3)(h)	Explanations to clarify financial statements	Explanations that may be necessary to clarify issue in connection with the financial statements	Yes
121(3)(i)	Other information	Information as determined by the municipality	Yes
121(3)(j)	Audit committee recommendations	Recommendations of the municipality's audit performance committee	Yes
121(3)(k)	Other prescribed information	Other information as may be prescribed	N/A

Section 46(1) of the MsysA requires municipalities to prepare a performance report for each financial year setting out the performance of the municipality and external service providers, comparison of the performance with the targets set for and performance in the previous year and measures taken to improve performance. As shown above, the annual performance report must form part of the Annual report. A high priority for 2011/2012 is compliance with Chapter 6 of the MsysA (including S46) by developing and implementing a Performance Management System for the municipality.

Chapter 12 of the MFMA contains a very wide range of provisions relating to financial reporting and auditing. With respect to the Annual Report specifically, the process of preparation and adoption includes the "tabling" of annual reports, and the formulation of "oversight reports" an annual reports.

The process for the adoption of the Emnambithi /Ladysmith Municipality's 2011/12 annual report is that it should be prepared in accordance with chapter 12 where possible and should contain information required by section 121. The council is required to deal with the annual report within nine months after the end of the financial year, which is before 31 March 2013. This includes the adoption of an oversight report in accordance with S 129(1) of the MFMA containing Council's comments on the annual report.

CHAPTER 2

2.1. INTRODUCTION

The Annual Performance Report of the Emnambithi /Ladysmith Municipality is compiled in terms of Section 121 of the Municipal Finance Management act, 55 of 2003 and Section 46 of the Municipal System Act, 2000 as amended.

2.2. BACKGROUND

The purpose of an Annual Performance report is to provide a record of the activities of the municipality, report on performance against the budget and promote accountability to the local community for the decisions made through out the year.

Key legislative elements of the Annual Performance report includes as requested by the Auditor – General:

- The annual performance report of the Municipality (S 46 MSyA) and Auditor-General's Audit report on performance (S 45 (b) MsysA)
- An assessment by the Accounting officer of the performance against the measurable performance objectives (S 17 (3) (b) MFMA)
- Details of corrective action taken or to be taken in response to issues raised in the audit reports.

Section 46 of the Municipal Systems Act stipulates that-

"A municipality must prepare for each financial year a performance report reflecting-

- The performance of the municipality and of each external service Provider during that financial year.
- A comparison of the performance referred to in paragraph (a) with targets set for and performances in the previous financial year: and
- Measures taken to improve performance
- An annual performance report must form part of the municipality's annual report in terms of chapter 12 of the municipal financial Management act."

2.3. NATIONAL KEY PERFORMANCE INDICATORS

The Municipal Performance report mainly reflects on the performance of each department against set Key objectives, Key performance Areas and Annual Targets. The municipal performance

management systems of the municipality mainly consist of different tools for assessment and reporting.

The assessment and reporting of evaluation is based on the following arrears:

- Municipal Performance Management Policy Framework which was adopted by council in 2008, and which is reviewed annually.
- The service delivery budget implementation plan (SDBIP), which provides quarterly reports and are submitted to EXCO
- Mid –year performance report informed by the evaluation of the section 57 employees and the head of departments
- Performance report is developed to give credence against set performance targets and measures to improve performance
- Lastly, the annual report is developed as means to provide a holistic picture on the administrative, human resources and financial position of the municipality.

CHAPTER 3

3.1. HUMAN RESOURCES

OVERVIEW

Human resource performs both line and staff functions which support and give direction to other departments regarding human resources. It incorporates Human Resource Provisioning comprising HR Planning, recruitment, selection and induction as well as HR maintenance which comprises benefit structures, record keeping, turnover, advisory services, social responsibility, affirmative action and employment equity, health and safety, skills development, settlement of disputes (grievances and discipline), training, education, and career management.

PERSONNEL EXPENDITURE

	Year to Date JULY 2011 TO JUNE 2012				
	YTD BUDGET	YTD ACTUAL	SURPLUS / (DEFICIT)	% OF BUDGET SPENT	ANNUAL BUDGET
	R	R	R		R
STAFF EXPENDITURE					
Salaries	89 570 875	86 563 626	3 007 249	96.64%	89 570 875
Overtime & Standby	8 215 611	8 725 375	-509 764	106.20%	8 215 611
Job Creation	19 551 992	21 487 488	-1 935 496	109.90%	19 551 992
Pension Contributions	12 866 916	12 745 694	121 222	99.06%	12 866 916
Medical Aid Contributions	4 746 768	4 346 663	400 105	91.57%	4 746 768
UIF Contributions	975 121	968 041	7 080	99.27%	975 121
Group Life Contributions	87 934	86 903	1 031	98.83%	87 934
Housing Subsidy	608 916	596 691	12 225	97.99%	608 916
Travel Allowance	6 105 451	5 914 874	190 577	96.88%	6 105 451
Councillors Salaries	10 197 032	9 967 414	229 618	97.75%	10 197 032
Councillors Allowances	2 275 296	2 196 696	78 600	96.55%	2 275 296
TOTAL STAFF EXPENDITURE	155 201 912	153 599 466	1 602 446	98.97%	155 201 912

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

DEPARTMENTS	PERMANENT POST	VACANT POSTS	TOTAL POSTS
EXEC AND COUNCIL	4	1	5
MUNICIPAL MANAGERS OFFICE	6	2	8
FINANCE DEPT	72	6	78
CORPORATE SERVICE	26	6	32
ECONOMIC DEV AND PLANNING	132	5	137
GOVERNANCE AND TRANSFORMATION	112	13	125
PUBLIC SAFETY	66	13	79
ENGINEERING SERVICE	72	55	127
ELECTRICITY	71	16	87

561 Permanent Posts + 5 interns = 566 posts

INJURED ON DUTY (IOD) PERMANENT AND NON PERMANENT STAFF

There were 10 employees that were assisted by human resource department for being injured on duty.

NUMBER OF EMPLOYEES	CLASS OF EMPLOYEE
3	Temporary Employees
7	Permanent Employees

DISCIPLINARY ACTION CASES

Human Resource Department assisted with nine (9) disciplinary cases.

LEAVE AND SICK LEAVE

The Human Resources Department provides complete leave administration, for ordinary, sick leave, special leave, family responsibility leave, and long service to all employees within the municipality. Monthly leave reports are submitted to MANCO meetings.

HUMAN RESOURCE POLICIES

The Human Resource Section has the following approved HR Policies:

SKILLS RETENTION POLICY
RECRUITMENT AND SELECTION POLICY
SMOKING POLICY
CODE OF CONDUCT
CODE OF ETHICS
HUMAN RESOURCE AND DEVELOPMENT
HIV/AIDS POLICY
S & T POLICY
FRAUD PREVENTION POLICY
ANTI FRAUD AND ANTI CORRUPTION POLICY
LANGUAGE POLICY
PRACTICAL EXPERIENTIAL TRAINING POLICY

3.2. SKILLS DEVELOPMENT AND LEVEL OF EDUCATION ATTAINED

MM AND SECT 57

NIL

COUNCILLORS, SENIOR OFFICIALS AND MANAGERS

MFMA Training - 20 employees

PROFESSIONALS

MFMA Training – 20 employees

Easy Query Training – 1 employee

COMMUNITY AND PERSONNEL SERVICES

First Aid Training - 59 employees

CLERICAL AND ADMINISTRATIVE WORKERS

Advanced Computer Training – 32 employees

Local Government Accounting Course – 5 employees

Local Government Advanced Accounting Course – 11 employees

Customer Service Excellence Course – 14 employees

TRAINING IN TERMS OF MFMA MINIMUM COMPETENCY REQUIREMENTS

Description	Number Of Competency assessments completed (Regulation 14(4)(b) and (d))
DEPARTMENT OF FINANCE	
Financial Officials	
Accounting Officer	1
Chief Financial Officer	1
Senior Managers	3
Any other Financial Officials	6
Supply Chain Management Officials	
Heads of Supply Chain Management units	0
Supply Chain Management Senior Managers	0
SUB TOTAL	11

OTHER DEPARTMENTS	
Section 57 Employees	1
Senior Managers	5
Other Officials	11
SUB TOTAL	17
TOTAL	28

3.3. PENSION AND MEDICAL AID FUNDS

Pension Fund	Number of Members
Councillors Pension Fund	23
Sala Pension Fund	12
Natal Joint Municipal Pension Fund	520
National Treasury Pension Fund	23
Total	578

Medical Aid Funds	Number of Members
LA Health	3
Bonitas	45
Key Health	75
SAMWUMED	109
Discovery	1
Momentum	1
Total	234

3.4. DISCLOSURE OF POLITICAL OFFICE BEARERS

Mayor	R654 183
Deputy and Speaker	R1 054 228
7 Exco Cllr	R1 888 690
42 Cllr	R8 742 380
1 Whip Cllr	R41 287 (June 2012 only)

CHAPTER 4

4.1. ANNUAL FINANCIAL STATEMENTS

As per (Annexure D)

4.2. AUDITOR GENERAL'S REPORT

As per (Annexure E)

CHAPTER 5

5.1. EXECUTIVE AND COUNCIL

OVERVIEW

Council and Executive Committee give effect to Section 156 of the Constitution, which provides for the powers and functions of the municipality. A key role is to link the community, other spheres of government and staff in a common and co-ordinated direction that achieves the outcomes of the Integrated Development. The Speaker ensures appropriate community participation and liaison on a daily basis.

COUNCIL

A comprehensive list of councilors is attached below.

POLITICAL STRUCTURE

The Emnambithi/Ladysmith municipality consists of the following political office bearers

NO.	NAME AND SURNAME	WARD	PORTFOLIO COMMITTEE	POLITICAL PARTY
1.	<i>Biyela Bonisiwe Beauty</i>		Support Services Portfolio Committee	NFP
2.	<i>Buthlezi Mandla Justice</i>		Technical and Planning Portfolio Committee	NFP
3.	<i>Buthlezi Nduna T</i>		Economic Development Portfolio Committee	IFP
4.	<i>Cele T M</i>		Technical and Planning Portfolio Committee	DA
5.	<i>Fakude Sibusiso A</i>	22	Public Safety Portfolio Committee	ANC
6.	<i>Hadebe Amos Mdumiseni</i>	8	Support Services Portfolio Committee	ANC
7.	<i>Hadebe T</i>		Public Accounts Portfolio Committee	ANC
8.	<i>Hlatshwayo P S</i>	23	Technical and Planning Portfolio Committee	ANC
9.	<i>Hlomuka N M</i>	9	Public Accounts Portfolio Committee	ANC
10.	<i>Hurter Pieter Johannes</i>	11	Economic Development Portfolio Committee	DA
11.	<i>Jele P P</i>		Sports, Youth, Gender and Disabled Portfolio Committee	IFP
12.	<i>Khumalo K A</i>		Sports, Youth, Gender and Disabled Portfolio Committee	NFP
13.	<i>Kunene L K</i>			IFP
14.	<i>Madinane L S</i>	7	Public Safety Portfolio Committee	ANC
15.	<i>Madlala Mayibhoyi V</i>		Economic Development Portfolio Committee	ANC
16.	<i>Madonsela Busisive Rose</i>		Support Services Portfolio Committee	IFP (PR)
17.	<i>Magasela Josia Mkhapheni</i>	26	Sports, Youth, Gender and Disabled Portfolio Committee	ANC
18.	<i>Magubane M R</i>	27	Technical and Planning Portfolio Committee	ANC
19.	<i>Maharaj R J</i>		Public Accounts Portfolio Committee	MF
20.	<i>Makhaza T P</i>	15	Public Safety Portfolio Committee	ANC
21.	<i>Mazibuko B C</i>	25	Economic Development Portfolio Committee	ANC
22.	<i>Mazibuko L O</i>	5	Public Safety Portfolio Committee	ANC
23.	<i>Mbatha N M</i>		Public Safety Portfolio Committee	NFP
24.	<i>Mfusi S R</i>		Sports, Youth, Gender and Disabled Portfolio Committee	ANC
25.	<i>Mhlongo N R</i>	10	Support Services Portfolio Committee	ANC
26.	<i>Mkhize B D</i>	4	Sports, Youth, Gender and Disabled Portfolio Committee	ANC
27.	<i>Mkhwanazi O S</i>	24	Economic Development Portfolio Committee	ANC

28.	<i>Mlotshwa Mandela Lincoln</i>	20	Economic Development Portfolio Committee	ANC
29.	<i>Mlotshwa Mosley Ntombizonke</i>		Support Services Portfolio Committee	ANC
30.	<i>Mshengu M E</i>		Public Accounts Portfolio Committee	IFP
31.	<i>Msoni Thamsanqa</i>	2	Technical and Planning Portfolio Committee	ANC
32.	<i>Mthethwa M A</i>	14	Public Safety Portfolio Committee	ANC
33.	<i>Ngcobo Z J</i>		Economic Development Portfolio Committee	NFP
34.	<i>Ngubane T W</i>	13	Public Accounts Portfolio Committee	ANC
35.	<i>Ngwenya SSC</i>	17	Economic Development Portfolio Committee	ANC
36.	<i>Niemand R</i>		Public Accounts Portfolio Committee	ANC
37.	<i>Nkomonde S G</i>	21	Support Services Portfolio Committee	ANC
38.	<i>Radebe S S</i>	18	Technical and Planning Portfolio Committee	ANC
39.	<i>Rassool Zehra Banu</i>		Ex officio to all Portfolios	ANC
40.	<i>Shabalala K E</i>			IFP
41.	<i>Shezi S M</i>		Sports, Youth, Gender and Disabled Portfolio Committee	ANC
42.	<i>Sibisi Z J</i>		Technical and Planning Portfolio Committee	IFP
43.	<i>Sithebe S J</i>	3	Technical and Planning Portfolio Committee	ANC
44.	<i>Sokhela Sibusiso Dennis</i>	19	Technical and Planning Portfolio Committee	ANC
45.	<i>Suddaby Michael Rodney</i>	12	Public Accounts Portfolio Committee	DA
46.	<i>Thabethe T H</i>	6	Public Accounts Portfolio Committee	ANC
47.	<i>Thungo B F</i>		Public Safety Portfolio Committee	ANC
48.	<i>Vilakazi S D</i>	1	Support Services Portfolio Committee	ANC
49.	<i>Warasally A S D</i>		Public Safety Portfolio Committee	IFP
50.	<i>Xaba T</i>		Sports, Youth, Gender and Disabled Portfolio Committee	ANC
51.	<i>Zondi P S K</i>		Public Accounts Portfolio Committee	NFP
52.	<i>Zwane M L</i>	16	Support Services Portfolio Committee	ANC

DESCRIPTION OF ACTIVITY

The function exercised by the Executive Committee and Council of the municipality, and services provided extend to all residents in the municipal area take into account the division of powers and functions between the district and local municipality. The municipality is administered through a committee system that includes Executive, Portfolio, Ward and other necessary committees such as the following.:

NAME OF COMMITTEE AND NUMBER OF MEETINGS HELD

NAME OF MEETING	NO. OF MEETINGS
Ordinary EXCO meeting	13
Special EXCO meeting	12
Ordinary Council meeting	13
Special Council meeting	4
Support Services Portfolio Committee	23
Municipal Public Accounts	5
Community Safety Committee	14
Technical Portfolio Committee	12
Local Labour Forum	5
Training Committee	5
Sports Committee	7
Economic Development Committee	11
Finance Portfolio Committee	12

The local municipality has a mandate as listed in Part B of Schedule 4 and Part B of Schedule 5 of the Constitution exclusive of the district municipality functions listed in Section 84 of the Municipal Structures Act.

5.2. DEPARTMENT: FINANCE

COUNCIL PERSONNEL EXPENDITURE

	2010/2011	2011/2012
Salaries & Allowance	R 88 604 519	R 92 478 500
Overtime and Standby	R 6 973 300	R 8 725 375
Job Creation	R 15 728 709	R 21 487 488
Pension	R 12 509 405	R 12 745 694
Medical Aid	R 4 161 368	R 4 346 663
U.I.F.	R 925 544	R 968 041
Group Life	R 72 931	R 86 903
Councillors Allowances	R 11 080 332	R 12 164 110
Housing Benefits and Allowance	R 627 283	R 596 691
Less: Charged Out	(R 13 998 464)	(R 17 630 101)
<u>TOTAL</u>	R 126 684 927	R 135 969 365

Monthly Billings Per Service

Service: Rates	<u>Month</u>	Amount Billed R	Amount Received R
	July 2011	10 786 621.45	(1 427 068.80)
	August 2011	11 427 257.38	(8 025 945.97)
	September 2011	10 921 850.02	(5 399 457.25)
	October 2011	9 657 524.53	(7 095 150.43)
	November 2011	9 491 239.59	(5 508 675.78)
	December 2011	9 126 981.96	(5 750 182.46)
	January 2012	9 115 221.37	(5 307 637.58)
	February 2012	9 026 365.38	(6 620 466.82)
	March 2012	8 754 135.04	(10 659 891.30)
	April 2012	8 407 401.17	(6 169 861.03)
	May 2012	8 574 383.12	(9 769 508.79)
	June 2012	1 674 959.46	(6 813 505.89)
TOTAL		106 963 940.47	(78 547 352.10)
Service: Electricity	Month	Amount Billed (Excl. Vat) R	Amount Received (Excl. Vat) R

	July 2011	16 916 450.67	(11 434 791.12)
	August 2011	18 010 352.97	(16 207 649.11)
	September 2011	13 012 948.71	(15 365 854.91)
	October 2011	12 379 704.08	(13 877 188.94)
	November 2011	11 838 363.93	(11 870 839.56)
	December 2011	12 054 986.91	(12 072 179.39)
	January 2012	11 106 766.68	(11 158 131.27)
	February 2012	12 093 726.36	(11 352 174.54)
	March 2012	12 615 887.98	(11 155 813.92)
	April 2012	11 983 760.54	(10 818 469.33)
	May 2012	12 122 463.90	(11 677 487.43)
	June 2012	15 374 782.22	(12 160 045.91)
TOTAL		159 510 194.95	(149 150 625.43)

Service: Refuse	Month	Amount Billed (Excl. Vat) R	Amount Received (Excl. Vat) R
	July 2011	751 628.49	(489 595.76)
	August 2011	752 450.09	(570 471.88)
	September 2011	753 454.88	(555 734.58)
	October 2011	758 797.23	(654 472.53)
	November 2011	756 735.01	(546 230.62)
	December 2011	756 577.04	(573 737.61)
	January 2012	758 133.21	(531 443.40)
	February 2012	747 649.88	(1 098 518.94)
	March 2012	737 506.75	(925 060.71)
	April 2012	745 628.52	(549 453.62)
	May 2012	745 410.62	(840 712.64)
	June 2012	830 699.11	(706 433.73)
TOTAL		9 094 670.83	(8 041 866.02)

Debtor Collections

Amount Billed (Excl. Vat)	Amount Received (Excl. Vat)
R 275 568 806.25	(R 235 739 843.55)

Debtors Age Analysis (Incl. Vat)

<u>Service</u>	Future	Current	30	60	90	+120
	R	R	R	R	R	R
Rates	-291 833	945 553	2 036 006	1 168 460	1 275 358	70 439 118
Electricity	-202 860	17 036 495	2 599 420	794 900	1 187 498	5 012 502
Refuse	-42 966	732 397	237 802	135 382	124 326	4 184 935
Sundry	-11 332 778	882 197	351 768	143 369	237 319	9 622 583
TOTAL	-11 870 447	19 596 643	5 224 995	2 242 111	2 824 500	89 259 138

Write Off of Bad Debts / Indigency for 2011/2012

Service	Bad Debt R	Indigency R	Total R
Rates	-	3 588 709.46	3 588 709.46
Electricity	1 193 677.52	142 931.92	1 336 609.44
Refuse	609 643.12	1 508 345.20	2 117 988.32

Sundry	23 911.29	43 739.41	67 650.70
TOTAL	1 827 231.93	5 283 725.99	7 110 957.92

Property Rates

Rates collectible for the 2011/2012 Year (After Rebates)	R 99 276 973
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Indigent Policy

Quantity (number of households affected)	13 466
Quantum (total value across municipality)	R 13 613 089 (Excl. Rebates)

Creditors Payments

Month	Amount R
July 2011	31 939 841
August 2011	39 515 958
September 2011	40 129 761
October 2011	20 928 083
November 2011	26 435 896
December 2011	24 399 615
January 2012	22 430 704
February 2012	20 256 014
March 2012	20 163 901
April 2012	23 872 657
May 2012	25 489 267
June 2012	42 790 220

External Loans

<u>Details</u>	<u>Interest Rate</u>	<u>Date Redeemable</u>	Balance as at June 2012 R
ABSA	9.10%	Feb 2026	5 399 231
ABSA	9.33%	June 2013	1 201 052
TOTAL EXTERNAL LOANS			6 600 283

Key Performance Indicators

Key performance area	Key Performance indicator	Current	Target
To ensure that the final accounts are completed timeously and that a clean audit report is obtained.	Final accounts prepared within legislated timeframe An unqualified audit report is received	Within 2 months Unqualified Report	Within 2 months Unqualified report
Ensure compliance with the Municipal Finance Management Act and the Procurement Policy	Implementation of MFMA Implementation Plan Develop a MFMA compliant Supply Chain Management Policy	90% Achieved	90% Achieved
Accuracy of the Management Information, debtors and Budget	The debtors receive accounts timeously and queries are cleared accordingly. The help-desk is operational to assist consumers with queries.	90%	5 days of month end Help desk 100%
Asset Management and Investments	Required assets are recorded in Financial Required Systems. The Municipality has sufficient Investments to avoid short-term borrowing	95% R 70 million In Short Term	95% R10 million

		Investments and R 117 million in Call Account	
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Assessment of Tax and Tariff by the Accounting Officer MFMA Section 121 (3) e

No.	Accounts Group	Count	Current	Arrears	Total	% Of Total Arrears
1	APPLICATION INDIGENCY	3 385	R 145 567.95	(R163 699.70)	(R18 131.75)	0.00%
2	AUTOMATIC INDIGENCY	1 656	R 17 723.82	R 1 426 065.00	R 1 443 788.82	98.77%
3	BULK ACCOUNTS	70	R 9 884 328.52	R 1 666 684.73	R 11 551 013.25	14.43%
4	DEPARTMENT OF PUBLIC WORKS	1 079	R 333 211.24	R 8 122 279.64	R 8 455 490.88	96.06%
5	DEPARTMENTAL ACCOUNTS	114	R 213 528.35	(R27 565.32)	R 183 693.03	0.00%
6	EXCEPTION LIST	1	-	(R 31.50)	(R 31.50)	100.00%
7	EXTERNAL HANDED OVER ACCOUNTS	-	-	-	-	0.00%
8	FINAL ACCOUNTS	4 413	R 393 595.43	R 1 085 559.80	R 1 479 155.23	73.39%
9	HOUSING & LOAN ACCOUNTS	537	R 32 076.94	R 286 593.17	R 318 670.11	89.93%
10	IN-HOUSE HANDED OVER ACCOUNTS	18 563	R 33 628.06	R 65 822 363.22	R 65 855 991.28	99.95%
11	NORMAL ACCOUNT ACCOUNTS – COLENZO	666	R 166 839.88	R 849 610.74	R 1 016 450.62	83.59%
12	NORMAL ACCOUNTS – EZAKHENI	3 735	R 133 159.20	R 2 620 584.04	R 2 753 743.24	95.16%

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No.	Accounts Group	Count	Current	Arrears	Total	% Of Total Arrears
13	NORMAL ACCOUNTS-STEADVILLE	1 699	R 278 600.16	R 2 256 241.58	R 2 534 841.74	89.01%
14	NORMAL ACCOUNTS-TOWN	11 349	R 6 847 508.43	R 339 202.15	R 7 186 710.58	4.72%
15	SPOORNET & TRANSNET	197	R 31 970.38	(R 659 529.65)	(R 627 559.27)	105.09%
16	STAFF ACCOUNTS	136	R 85 201.28	(R 5 481.95)	R 79 719.33	0.00%
17	SUNDRY DEBTORS	397	R 329 599.19	R 1 218 630.00	R 1 548 229.19	78.71%
18	UTHUKELA ACCOUNTS	19	R 55 907.97	(R 27 260.15)	R 28 647.82	0.00%
19	VACANT LAND	2 795	R 614 195.77	R 2 870 051.50	R 3 484 247.27	82.37%
	TOTAL	50811	R 19 596 642.57	R 87 680 297.30	R 107 276 939.87	81.73%

Consumer Debtors Per Category

	<u>Actual</u> 2010/2011	<u>Actual</u> 2011/2012
<u>Residential / Domestic</u>	<u>R 72 629 445</u>	<u>R 70 529 939</u>
<u>Business</u>	<u>R 8 553 528</u>	<u>R 10 376 049</u>
<u>Government</u>	<u>R 8 559 513</u>	<u>R 10 414 800</u>
<u>Other</u>	<u>R 7 765 229</u>	<u>R 17 569 517</u>
<u>Bad Debts Written-Off</u>	<u>R 2 726 644</u>	<u>R 1 613 365</u>
<u>Debtors Balance Prior to Write-Off</u>	<u>R 100 234 359</u>	<u>R 108 890 305</u>

5.3. DEPARTMENT: ECONOMIC DEVELOPMENT AND PLANNING

TOWN PLANNING AND DEVELOPMENT

Analysis of the Function:

Number and cost to the employer of all economic development personnel:

Professional (Managerial/Specialist)	3
Office (Clerical/Administrative)	1
Student	1
Temporary staff	1
Contract staff	1

Overview

The Town Planning Section is entrusted to govern land development, land use management, economic development and the upliftment of the livelihoods of the communities within the jurisdiction of Emnambithi/Ladysmith Municipality. The main objective of this section is to lead and direct development in an orderly manner that does not impose negative impacts on the livelihoods of the people, promote sustainable development and protect the environment. This department deals with all aspects of community development and participation. It ensures that the public is aware of the Integrated Development Plan and Budget of the Municipality. Community based projects are organised with the assistance of the ward councillors. The planning of the Town is entrusted to this department. The Chief Town Planner handles approval for the construction of dwellings and buildings, approval of statutory applications (Subdivision, Rezoning and Special Consent).

Description of the activity

The functions of Planning and Development within the municipality include:

1. Integrated Development Planning
2. Organisational Performance Management
3. Ward Committees/Public Participation
4. Development Plans
5. Community Development
6. Community Liaison
7. Geographic System Management
 - GIS website
8. Land Use Management System
 - Rezoning
 - Special Consent
 - Zoning Certification
 - Relaxation
 - Town Planning Scheme

9. Spatial Planning
 - Subdivision
 - Spatial Development framework
 - Local Area Plans
10. Administration
 - SDBIP
 - Planning and Development Act (PDA)

Strategic Objectives

To promote Social Development in the Emnambithi/Ladysmith area.

To stimulate Economic development and Planning and develop Institutional Development

Key issues for 2011/2012

Social Development

- Ezakheni Erf 3 Development
- Forbes Street Taxi Rank
- Demarcation for Informal Traders

Economic development and Planning

- Local Economic Development
- Job Creation and Poverty alleviation
- SMME development
- Tourism development
- Spatial development framework
- Environmental and Land use Management

Spatial Development Plan

- Integrated development plan
- Review of the Spatial and Development Framework.
- Formulation of the Nkunzi, Mtiwane and Jononoskop Local Area Plan.
- Formulation of the St Chads, Mthandi and Mchitsheni Local Area Plan

Town Planning Projects

Ladysmith and Colenso Caravan Park.

Mixed use development – Ladysmith Indoor Sports Complex

Aerodrome Mixed use development

WASTE MANAGEMENT – SOLID WASTE

Overview

Solid waste is a local municipal function. The landfill site is licensed under a permit from the Dept. of Water Affairs & Forestry. Refuse removal services are provided in all urban areas, informal settlements as well in rural areas of Emnambithi/Ladysmith viz. Ladysmith, Ezakheni, Steadville, Colenso & Van Reenen.

Description of the Activity:

Refuse is cleared from the residential areas on a weekly basis whereby the households take out their refuse (in bags only) on refuse removal days.

A bi-weekly refuse removal service is provided for all businesses on a daily service to certain categories of businesses e.g. food shops, hotels, and factories.

48 Bulk (1.75m³) and 24 (30m³) were placed in different areas to reduce illegal dumping,

to improve our performance and reduce the number of complaints. Council took over the function of collecting refuse at Ezakheni Township as it was previously outsourced to (five) private contractors since 1996.

Strategic Objectives of this function:

Strategic objectives of the refuse removal function is to provide an efficient, effective and economic service.

The key issue for 2011 – 2012 was the extension of refuse collection in areas that had never been serviced before especially in rural and informal areas. The second priority was to make sure that both Ezakheni and Steadville Townships are kept clean 24 hours a day and seven days a week.

Number of households receiving regular refuse removal services and the frequency and cost of the service:

Details	Number	Cost
Removed by Municipality at least once a week	37430	R12 743 484
Communal refuse dump used	None	None
Own refuse dump	1	Handed over to Engineering Department
No rubbish disposal	25848	R1 792 402

Total Number, capacity and life expectancy of refuse disposal sites:

There is only one formal landfill site with a life expectancy of $\pm$ 4 years.

Free basic Service Provision

Quantity (number of household affected)	15 000
Quantum (value to each household)	5 233 520

Key performance area	Key performance indicator	Current	Target
To ensure that all households have access to a basic refuse removal service	Number of households receiving weekly refuse removal services	37 436	44 457

COMMUNITY PARKS AND GARDENING SERVICES

Overview

Located in the Department of Economic Development, this function consists of provision and maintenance of high quality service delivery to the community within the Emnambithi/Ladysmith Municipal area of jurisdiction in the spheres of Sports facilities and promotion, Local amenities and Public Open Spaces.

Description of the Activity:

The following services are provided:

Pound

120 stray animals are collected and impounded, More emphasis has been put to ensure the safety of animals against theft by re-enforcing the fencing around the premises of the Mathews Farm where the pound is now located.

Positive results have been evident since meetings were held with stock owners in various wards to establish working relationships with an objective of jointly overcoming the challenge of stray animals.

All the legislative requirements have now been met which will enable the department to have regular auctions to defray costs incurred by the Municipality for keeping unclaimed animals for long periods .

Two (2) public auctions of impounded animals were successfully conducted which resulted in the Municipality saving a lot of money that would have been spent in terms of feeding and related expenses.

Cemeteries

In addition to our grave allocation and maintenance programme in the existing 5 cemeteries i.e. Ezakheni C1 , C3 ,Mbulwane , Colenso and Town cemetery , the following progress has been achieved in terms of the establishment of new cemeteries

1. Ndomba Cemetery
Between the 1st July 2011 and 30 June 2012, a total of 66 graves were booked and allocated for use. Maintenance work is done on a daily basis. The trench sewer drain or septic tank will be installed to complete the ablution block to be ready for use by the public.
2. Bluebank Cemetery
The cemetery is fully fenced with concrete palisade and the foundations for the ablution facility and the guard house have been dug.
3. Ezakheni Cemetery
As at 30 June 2012 already 427 adult and 74 children graves had been provided and The cemetery is fully fenced with a 95% complete ablution facility.

Swimming Pools

By close of the 2011/2012 swimming season more than 34 630 visitors had made use of the three swimming pools, White road, Limit Hill and Agra pools.

Weed killing and Tree felling

The Department : Economic Development in compliance with Regulation 15 and 16 of the Conservation of Agricultural Resources Act (CARA) 1983, has embarked on the programme of controlling undesirable and alien plants, within the whole area of the Municipal Jurisdiction. Blue-gum and Syringa trees are classified as undesirable alien plants in category 1.

The programme takes into consideration minimizing the damage that might be caused by our control action. As part of the programme, provision has been made to replace the undesirable trees through an aggressive but environmentally friendly environment . Complaints from the community are also attended to in cutting hazardous trees bordering their domestic or business premises.

Sports fields

Grass is cut and prepared for sporting activities in all of our facilities on a weekend basis . 75 rural sports grounds from the 27 Municipal wards are maintained on a regular basis, poles and stands are manufactured and installed , the Department has a long term plan to establish one stadium per rural ward . One such modern stadium with ablution facilities and turf has been established in ward 18 (Driefontein) whilst a caretakership has been acquired for the Mabhumane sports field in ward 7 (St Chads)

Caravan Park

The total number of campers who visited the park during the period under review is 201. at all times the park provides 85 camping facilities provided are maintained to be ready for booking and use.

Private companies operating in the area, tourists and individuals make use of the park on a daily and long periods basis.

Plant Decorations

Two main nurseries exists. The cemetery road nursery propagates an average of plants to supply the main nursery and general public with flowers and plants for greening purposes as well as decorations.

An average request for the ceremonial plant decorations of 20 per month are received and acceded to. These requests come mainly from the general public as well as community organization.

5.4. DEPARTMENT: GOVERNANCE AND TRANSFORMATION

The department is made up of the following elements and sections:

- Administration
- Legal Services
- Housing, Land and Real Estate
- Valuation
- Community Services (Library Services, Museum Services and Community Venues)

LEGAL SERVICES

1.1. General Legal Queries referred for attention

A large corpus of the matters dealt with by the Legal Section are matters referred for assistance by other departments for assistance, or by a particular committee for action.

The Legal Section has received in excess of 20 Matters in the new assessment which are being dealt with on an on going basis.

Successes:

The vast majority of matters are expeditiously dealt with. In particular some of the more complex matters are being processed and we have received general positive feedback from the other departments.

1.2. Drafting and Vetting of Agreements (including Service Level Agreements, Funding Agreement, Lease Agreements and Memorandums of Understanding.

The Legal section is required to attend to the drafting and/ or vetting of any contractual document that needs to be entered into by the Municipal Manager on behalf of the Municipality.

The contracts are checked to ensure that the terms therein are sound, practicable and fair.

Due diligence is conducted to ensure that the appropriate resolutions are in place that allow the Municipal Manager to enter into the contract on behalf of the municipality. That the contents of the contracts and in particular the monetary figure (if applicable) are in order and in compliance with the resolutions.

The contracts are also assessed to see if all the essential elements and formalities for a contract are in place.

The contracts are then referred to the Municipal Manager for final signature.

Successes:

Contracts are vetted and forwarded for signature by the Municipal Manager.

Contracts drafted are approved by departments and forwarded to the Municipal Manager for signature.

1.3. Legal opinions

The Legal Section is often called on to provide a researched Legal Opinion of issues to enable the requesting department or committee to chart a course of action.

These queries are dealt with on an ongoing basis.

Successes:

The opinions given to date have been found to be an accurate exposition of the law and legal issues. In particular some of the more complex matters are being processed and we have received general positive feedback from the other departments.

1.4. Litigation Matters

The Legal Section is also responsible for maintaining the Municipality's Litigation portfolio.

We currently have 16 active matters which are in varied stages of the Litigation process.

Successes

We have successfully managed to action several matters, not including the various Debt Collection matters we have finalised.

Pound act applications

The legal section has successfully formulated a system that expedites the auctioning of impounded live stock which limits the wasted costs of maintaining impounded animals.

The Legal section has now developed a relationship with the Local Magistrate's court to have these applications heard and the court order granted .

1.5. Historical Debt Collection Rate**EZAKHENI**

DATE	TOTAL
01-Jul-11	60 965.08
01-Aug-11	56 443.71
01-Sep-11	166 760.02
01-Oct-11	70 418.96
01-Nov-11	51 727.95
01-Dec-11	69 913.61
01-Jan-12	64 614.90
01-Feb-12	147 891.85
01-Mar-12	288 995.02
01-Apr-12	52 055.34
01-May-12	115 253.33
01-Jun-12	69 814.34
TOTAL	1 214 854.11

TOWN - STEADVILLE AND COLENSO

DATE	TOTAL
01-Jul-11	347 413.53
01-Aug-11	29 571.81
01-Sep-11	90 282.35
01-Oct-11	147 933.70
01-Nov-11	125 155.68
01-Dec-11	26 131.19
01-Jan-12	185 494.00
01-Feb-12	326 062.48
01-Mar-12	443 135.50
01-Apr-12	73 692.72
01-May-12	282 834.06
01-Jun-12	104 218.47
TOTAL	2 181 925.49

VACANT LAND

DATE	TOTAL
01-Jul-11	260 151.03
01-Aug-11	372 508.41
01-Sep-11	296 479.73
01-Oct-11	6 587.97
01-Nov-11	61 094.68
01-Dec-11	32 417.50
01-Jan-12	6 856.55
01-Feb-12	65 733.36
01-Mar-12	56 133.08
01-Apr-12	14 042.62
01-May-12	28 439.57
01-Jun-12	41 537.35
TOTAL	1 241 981.85

FINAL ACCOUNTS

DATE	TOTAL
01-Jul-11	2 003.06
01-Aug-11	200.00
01-Sep-11	1 227.20
01-Oct-11	
01-Nov-11	2 418.00
01-Dec-11	1 177.98
01-Jan-12	5 615.82
01-Feb-12	4 055.00
01-Mar-12	3 944.07
01-Apr-12	985.00
01-May-12	1 385.00
01-Jun-12	375 564.24
TOTAL	398 575.37

EZAKHENI	1 214 54.11
TOWN/STEADVILLE&COLENZO	2 189 25.49
VACANT LAND	1 241 81.85
FINAL ACCOUNTS	398 75.37
TARGET	6 000 00.00
TOTAL COLLECTED 1/07/2011 - 30/06/2012	5 037 36.82
PERCENTAGE ACHIEVED	83,96%

VALUATIONS

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>RECORDS</u>	<u>TOTAL VALUATION</u>
11	RESIDENTIAL	25635	4 608 262 000
12	INDUSTRY/COMMERCIAL/BUSINESS	758	1 228 362 000
13	AGRICULTURAL	416	510 842 000
14	PUBLIC SERVICE INFRASTRUCTURE	145	12 134 000
16	VACANT LAND	2334	87 162 000
17	RURAL COMMUNAL	3093	637 588 600
18	GAME HUNTING AND/OR ECO-TOURISM	16	89 370 000
20	MUNICIPAL DOMESTIC	130	234 350 000
21	STATE OWNED	807	884 689 800
22	LAND REFORM BEN TENURE<10 YEARS	57	65 336 000
24	PUBLIC BENEFIT/NON PROFIT ORG	48	62 797 000
25	RELIGIOUS	203	157 083 000
26	INDUSTRIAL IN ESTATE,SERVICE BY AGENT	2	130 080 000
27	INDUSTRIAL ESTATE,SERVICE BY OWNER	21	31 904 000
28	INGONYAMA TRUST BOARD	4	4 190 000
29	MUNICIPAL VACANT LAND	2910	85 104 000
30	PUBLIC OPEN SPACES/ROADS	565	1 187 000
31	VALUE LINKED TO MASTER PROPERTY	1413	-
32	PENDING FOR NEXT SUPPLEMENTARY VALUATION	174	-
33	UNREGISTERED PROPERTIES	100	-
99	PENDING DELETION	102	-
CLOSE	CLOSED	265	
<u>TOTAL</u>		<u>39198</u>	<u>8 830 441 400</u>

HOUSING AND REAL ESTATE

The primary function of this department is to ensure that the municipality has access to land and housing.

Projects	Number of houses constructed
Provision of Sustainable human settlements - B & C Tin Houses	52
Provision of Sustainable human settlements – St Chads Urban	67
Provision of Sustainable human settlements – Slum clearance	397
Provision of Sustainable human settlements – Rectification	435

Housing is not the competence of local government, being the recurrent responsibility of both provincial and national government. Only once the municipality obtains an A3 accreditation, it will assume full responsibility.

Highlight

During the latter part of the 2011/2012 financial year, the municipality obtained A3 accreditation for housing projects. The benefits of this will be seen in the 2012/2013 financial year.

The Real Estate and Housing Section have the following approved policies and plans:

Land Disposal Policy
Housing Allocation Policy
Emergency Housing Policy
Municipal Housing Sector Plan

COMMUNITY SERVICES

LIBRARIES

Ladysmith Library Services consists of 5 libraries situated in the different areas within the Emnambithi Ladysmith Municipality: Agra Crescent, Colenso, Ezakheni, Ladysmith and Steadville Libraries. As part of our rural outreach initiatives, we set up informal community libraries in Driefontein and Watersmeet. A mobile library unit was set up in St Chad's by the Department of Arts and Culture.

STATISTICS: ALL LIBRARIES

Membership as at 30 June 2012:

1. 10778 registered members
2. An average of 6761 non-registered members use the library per day.

Circulation Figures For The Period 1 July 2011 To 30 June 2012:

A total of 237827 library items were circulated.

Photocopies made:	67026
Fines collected:	R16000.00
Internet Printing:	R 54060.00
Activities Room:	R 6703.50
Lost Books paid for:	R 1334.80

STAFF MATTERS AND TRAINING

- Our staff presently consists of 17 permanent staff, 4 job creation, 1 relief library assistant, 1 cyber cadet, 2 media centre assistants and 1 volunteer.
- Staff from all libraries attended 5 book exchanges at the Northern Regional Depot and 2 Interest Group Meeting at Steadville Public Library and Glencoe Public Library respectively.
- Staff attended a one-day creative writing workshop conducted by Felicity Keats of the Dancing Pencils Writers Club, as well as Slims Cataloguing training.
- Migration to the new computerized system, SLIMS took place in September 2011 and all staff were given extensive training.
- A meeting was held with General Manager: KZNPLIS and the EMGT to clarify the Provincialisation of Public Libraries.
- Meetings were also held with the District Director: Dept of Education where a presentation was done to explain the role of the public library in the promotion of reading and literacy in schools
- Uthukela Reading Committee requested the presence of public library staff at their monthly meetings.
- Staff also attended a disaster management workshop at the Newcastle Public Library.
- The Municipality conducted a First Aid Training Programme, which was attended by N.G.Ngcobo from Ezakheni Library.
- Mrs. G.P.vd Walt retired at the end of October 2011.
- The Annual Public Librarians Workshop, which was to be held in December 2011, was postponed to January 2012 attended by S.T.Hlophe, J.S.Maharaj, S.Sooknannan

INFRASTRUCTURE

Colenso Library: major renovations to the building commenced on 1 December 2011, reaching completion soon.

Toilets under reconstruction at Ladysmith Public Library.

Grant funding was received from KZNPLS for the cyber cadet, the mobile library unit and provincialisation of public libraries in the amount of R1, 548,504.00 (one million, five hundred and forty eight thousand, five hundred and four rand)

OUR ACHIEVEMENTS/SUCCESSSES

Ladysmith Literary Festival was held from the 30 June – 1 July 2011 as part of our Annual Battlefields Heritage Festival at the Indoor Sports Complex in Ladysmith, Kwa Zulu Natal and was attended by over sixty dignitaries and about 800 children from the deep rural areas of the Emnambithi / Ladysmith Municipality.

Pearl Mhlongo visited Sizakahle High School to promote literacy programmes at the school. A Block loan of books was done to promote reading.

Mrs Hlophe attended the Uthukela District ANA INDABA 2011 (Annual National Assessment) held by the Department of Education on 18th August at the Indoor Sports Complex. The purpose of the meeting was to discuss outcomes of the learning of mathematics and language in all schools in the district. The following were discussed:

- Strategies to improve Literacy and Numeracy (ANA Results)(Mrs L.T. Mchunu/Mrs M.N Nkambule
- Strategies to improve and promote reading in our schools. (N.A. Ngwenya/Mrs B.R. Khambule (Nkosi) Mrs L.Rouch/Mrs, Ms. M.C Dlamini)
- Teacher and Teacher capacity towards improving Learner Performance (Mr C.N. Ndlovu/MrJ.M. Zwane/MrS.R. Sibisi.
- Proper Curriculum Management (Mr. V. Nkabinde/Mrs.N.P. Manyathi/MrsE.N.N. Madondo/T.D. Zuma

Story hours at the Morester Children's Home and Book Exchanges at the Juana Maria Children's Home was done twice during this mid term.

Literacy Day was celebrated at the St Chad's Thusong Centre on 14 September 2011 and was attended by over 1000 learners from schools in that area.

Readathon Celebrations held by the Dept of Education, ECD / AET Section, Othukela District in September was attended by Mrs. S.T.Hlophe who addressed learners and educators on the role of public libraries in development of reading skills. The focus was on grade R learners. Library services erected a display of Grade R reading material.

Mrs. Hlophe visited Vulindlela Creche and Sicelokulhe Creche. Grandparents month was celebrated and the concept: Read to a child was promoted.

Library orientation, membership drives, block loans and information retrieval for the completion of assignments and provision of support for distance learners was done throughout the year.

A very successful December Holiday Programme was held at Ladysmith Public Library, Colenso, Steadville, St Chad's, Driefontein and Watersmeet from the 12 –15 December 2011.

All libraries celebrated library Week in March 2012. Theme for 2012: "Develop @ your Library" The best part of this years celebration was taking the mobile library bus to the people of Matiwanoskop, Ezakheni Section E and St Chad's.

Membership drives were done to celebrate World Book Day in April 2012. The value of books and reading was highlighted.

All libraries also celebrated youth Day in June 2012 to promote a reading culture among our youth.

Rural Outreach Programmes included, Internal Book Exchanges, Block Loans, story hours, reading and writing clubs in Driefontein, Watersmeet and Ezakheni areas.

REPORT ON THE USE OF THE CYBER CAFÉ

Email accounts created	An average of 15per day
No of users	An average of 45 per day
No of searches conducted	An average of 50 per day
No of training sessions given	An average of 5 per day

STRENGTHS

All libraries have worked towards improving and uplifting the life of the community of Emnambithi/Ladysmith as follows:

- Library orientation to local rural schools.
- Block loans to various institutions.
- Library Promotion: Membership drives.
- Programmes in support of National and International themes.
- Support of Distance Learning: Tertiary textbooks.
- Promotion of Literacy: Especially in deep rural areas

CHALLENGES

- No budget to buy new books for libraries
- Delay in filling of urgent vacant posts.
- Deterioration of library buildings and gardens (Insufficient funds)
- Decline in registered members while increase in library users for Distance Learning, projects, reference work and research.
- Lack of space in the study area
- Overcrowding of the cyber café.

5.5. DEPARTMENT: ENGINEERING SERVICES

ROADS AND STORM WATER

Total kilometres and maintenance costs associated with existing roads provided:

Details	KM's	Costs
Tar	576.5 (m2)	R900,000/km
Gravel	10.43	R400,000/km

Average frequency and cost of re-tarring, re-sheeting roads:

Details	KM's	Costs
Tar	4.55	R 9,122,253.80
Gravel	-	-

Estimated backlog in number of roads showing kilometres and capital costs:

Details	KM's	Costs
Tar	288.56	R3.840,000.00
Gravel	407	R 420,000.00

PROJECTS UNDERTAKEN BY THE DEPARTMENT DURING THE PERIOD UNDER REVIEW

NO	DEMAND / PROJECT	PROGRESS ACHIEVED
1	Tarring of Township Roads (MIG)	-
2	3km Tarred Road – Ezakheni C Section (MIG)	R 6,646,267.59
3	Community Hall Ezakheni B Section (MIG)	-
4	Sports Complex (MIG)	R 255,746.00
5	Low Water Crossings – Baldaskraal (MIG)	-
6	Pedestrian Bridge – Watersmeet to Burford (MIG)	R 932,799.51
7	Pedestrian Bridge – Ezakheni to Esidakeni (MIG)	R 674,846.45
8	Construction Steadville Taxi Rank	R 697,314.69
9	Community Hall – Mthandi (MIG)	-

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10	Community Hall – Mcitsheni	R 167,156.95
11	Community Hall – Nkunzi	R 634,068.00
12	Community Hall – Watersmeet	R 362,078.42
13	Swimming Pool (MIG)	R 595,892.25
14	Construction of Vehicular Bridge Ezakheni C to E (NDPG)	R 2,052,394.25
15	Upgrade Existing Taxi Rank in Ezakheni Section A (NDPG)	R 266,933.96
16	Developing of Entrance Feature and Establishment of a Park in Ezakheni (NDPG)	-
17	Construction of Link Road Ladysmith to Acaciaville (NDPG)	R 454,969.44
18	Upgrading of Side walks in the CBD (COGTA)	R 2,646,494.53
19	Overhead Pedestrian Bridge (COGTA)	R 129,878.65
20	Roads and Infrastructure: Rehabilitation, Tarring and Overlaying of Roads in the CBD (COGTA)	R 4,331,893.75

5.6. DEPARTMENT: INFRASTRUCTURE AND SERVICES

Analysis of the function

Number and cost to the employer of all personnel associated with Electricity Distribution:

Professional (Managerial/Specialist)	07
Office (Clerical/Administrative)	08
Field (Supervisors/Foremen)	01
Non-professional (outside workforce)	54
Temporary staff	76
Contract staff	10
<u>TOTAL</u>	156

New electricity connections

A total **270** of new electricity connections were made within the licensed area of electricity supply of Ladysmith Municipality and the installations were as follow:

- ☐ **81** New connections in Area E Steadville
- ☐ **165** New connections in Colenso / Inkanyezi
- ☐ **24** New connections in Shayamoya Phase III
- ☐ **94** New connections to several other developments in and around Ladysmith Municipality Areas.

Electricity purchased and Metered

- ☐ A total of **259253 693** kWh of electricity was bought from ESKOM.
- ☐ The metered electricity amounted to **226 016 607** kWh.

Special improvements

- ☐ **Five** new substations were build or improved namely:



1. **Keate Switch house – Refurbishment and System Strengthening- provide additional capacity for new commercial development.**
2. **Pecan Nut farm 100 kVA–Electricity supply to LED community project.**
3. **Steadville Area ‘H’ – School 200 kVA- Electricity supply for school.**
4. **2 x 200kVA Pole mounted Transformers installed in Area ‘H’ – To electrify 500 low cost housing. Partial funding for this project was received from the Department of Minerals and Energy and top up funding provide by the Municipality. The complete bulk and the low voltage infrastructure was carried out in-house.**

STREETLIGHT PROJECTS

In line with the current energy crisis facing not only South Africa but also many parts of the world as well as initiatives to reduce green house emissions, the municipality implemented an Energy Efficiency programme in 2010.

The programme included amongst others, a drive to replace inefficient high consumption streetlight technology with a more energy efficient model.

The Energy Efficiency Technology model chosen was to replace all 125 Watt High Pressure Mercury Vapour (125W-HPMV), 250 Watt High Pressure Sodium (250W-HPS) and 250 Watt High Pressure Mercury Vapour (250W-HPMV) streetlight fittings with 70 Watt High Pressure Sodium (70W-HPS) streetlight fittings.

Phase I was implemented in the Ezakheni area with the replacement of 3128 125W-HPMV fittings with 70W-HPS fittings in 2010.

Phase II was implemented in the Ladysmith, Colenso and Van Reenen areas with the replacement of 3500 125W-HPMV, 250W-HPS and 250W-HPMV fittings in 2011.

The following areas were retrofitted with streetlights during the 2011/2012 financial year:

COLENZO

485 streetlights retrofitted

VAN REENEN

50 streetlights retrofitted

LADYSMITH

2965 streetlights retrofitted

TOTAL 500

Total quantity and cost of bulk electricity purchases in kilowatt-hours and rand, by category of consumer.

Details	Total	R
Residential		
Commercial	259 253 693 kWh's	R105 001 671.15
Industrial		
Other		

Total quantity and receipts for Bulk electricity sales in kilowatt-hours and rand, by category of consumer

Residential – Credit Conventional Meter	47 730 411	44 155 151.66
Prepaid - Domestic and commercial	35 697 924.54	37 631 387.89
Commercial	26 042 544	27 185 393.88
Industrial (LT & HT Bulk)	116 535 877.2	32 355 321
Temporary Supply	9 850	41 904.59
Other(Streetlights)	6 419 207	
Total	226 016 607	160 163 523.48

Total year – to –date electricity losses in kilowatt-hours and rand

Losses	26 817 880
--------	------------

Number of Households with electricity access, type & cost of service:**Electrified Areas**

Details	Total Connections	Cost
Shayamoya Ph III	24	R 122,443
Steadville Area "E"	81	R 542,959
Colenso/Inkanyezi	165	R 1,607,614

Alternate Energy Source

Details	Total	Cost
Gas	Nil	
Paraffin	Nil	
Solar	Nil	
Wood	Nil	
Non-Electrified	Nil	

Anticipated expansion of electricity service

Details	Total Connections	Cost
Steadville J	82	R 541,200
Colenso/Ntokozweni	400	R 3,200,000
Colenso MV Backbone	N/A – Bulk supply	R 1,600,000

Free Basic Service Provision

Details	Quantity	Value
Over 4200 customers per month supplied with FBE	50 kWh / per indigent household	R29.90 per household per month

Type and Number of grants and subsidies received

Details	Value
DME (Department of Minerals and Energy)	R6,006,000
Total operating cost of electricity distribution function	R 14 925 515

5.7. DEPARTMENT: PUBLIC SAFETY AND LICENCING

OVERVIEW

Protection Services and Licensing is responsible for the following functions :

Road Safety
Crime prevention and Security
Fire Protection
Disaster Management
Issuing of drivers licences and vehicles registration

Description of the Activity

The department provides the following services :

1. ROAD SAFETY

Law Enforcement

Technical Section

The technical staff is responsible for the maintenance of traffic signs, road markings and traffic signals.

Administration

The duties of Clerk of the Court are performed by the department and include; receiving all admissions of guilt, compilation of the court roll and reconciliation of all notices issued to traffic offenders.

Signage Erected

2011	2012
333	270

Road Marking

2011	2012
153	346,2

Speed Control : 01 July 2011 to 30 June 2012

<u>Speed Km/h</u>						<u>TOTAL</u>		
	<u>45 Km/h</u>	<u>60 Km/h</u>	<u>80 Km/h</u>	<u>100 Km/h</u>	<u>120 Km/h</u>	<u>June 2010</u>	<u>June 2011</u>	<u>June 2012</u>
60 - 69	34	-	-	-	-	-	09	34
70 - 79	06	3 151	-	-	-	1 155	1 992	3 157
80 - 89	02	1 181	-	-	-	693	1 074	1 183
90 - 99	-	439	80	-	-	316	478	519
100 - 109	-	129	53	-	-	148	196	182
110 - 119	-	33	29	02	-	60	60	64
120 - 129	-	-	09	08	-	13	18	17
130 - 139	-	-	04	01	-	06	04	05
140 - 149	-	01	-	01	-	-	01	02
150 - 159	-	-	01	-	-	01	-	01
TOTAL	42	4 934	176	12	-	2 392	3 832	5 164

Highest Speed Zone

	<u>June 2010</u>	<u>June 2011</u>	<u>June 2012</u>
Highest speed in 45 km/h zone	-	81 km/h	71 km/h
Highest speed in 60 km/h zone	112 km/h	143 km/h	140 km/h
Highest speed in 80 km/h zone	151 km/h	133 km/h	150 km/h
Highest speed in 100 km/h zone	-	133 km/h	147 km/h

**Collision Statistics
Ladysmith**

	<u>June 2011</u>	<u>Estimated Cost</u>	<u>June 2012</u>	<u>Estimated Cost</u>
Number of collisions	1 162	-	1 105	-
Fatal	06	2 346 762	03.	173 381
Serious	-	-	01	106 150
Minor	03	104 382	-	-
Damage only	1 153	12 135 325	1 101	1 158 025
Pedestrians	46	-	34	-
Pedal cyclists	04	-	04	-
Motor cycles	01	-	01	-
Two or more vehicles	845	-	788	-
Single motor vehicle	253	-	270	-
Other	18	-	08	-

Steadville

	<u>June 2011</u>	<u>Estimated Cost</u>	<u>June 2012</u>	<u>Estimated Cost</u>
Number of collisions	59	-	52	-
Fatal	01	391 127	-	-
Serious	02	213 300	-	-
GMinor	01	34 794	-	-
Damage only	55	578 875	52	547 300
Pedestrians	06	-	02	-
Pedal cyclists	-	-	01	-
Motor cycles	-	-	-	-
Two or more vehicles	32	-	30	-
Single motor vehicle	19	-	19	-
Other	02	-	-	-

Ezakheni

	<u>June 2011</u>	<u>Estimated Cost</u>	<u>June 2012</u>	<u>Estimated Cost</u>
Number of collisions	-	-	247	-
Fatal	02	782 254	03	1 173 381
Serious	02	212 300	-	-
GMinor	-	-	-	-
Damage only	220	2 315 500	242	2 547 050
Pedestrians	10	-	07	-
Pedal cyclists	02	-	-	-
Motor cycles	-	-	-	-
Two or more vehicles	95	-	97	-
Single motor vehicle	1 105	-	132	-
Other	05	-	09	-

2. FIRE PROTECTION

This function includes fire inspections at all industries, shops and warehouses and the combating of fires and rescue services.

3. DISASTER MANAGEMENT

The compilation of a Disaster Management Plan and the execution thereof, to mitigate the effects of a disaster. This section also deals with the Qedusizi Dam and Internal Security.

4. LICENSING

This function consists of testing of candidates for learners and drivers licences to determine their proficiency, the issuance of the same and also the registration and licensing of motor vehicles.

ANNEXURES

A - Performance Audit Committee Report

B- Audit Committee Report

C- Annual Performance Report

D- Audited Annual Financial Statements and Related Financial Information

E- Auditor General's Management Report

ANNEXURE A

REPORT TO THE EMNAMBITHI-LADYSMITH MUNICIPALITY

1. LEGAL MANDATE

In terms of Local Government Municipal Planning and Performance Regulation 2001, paragraph 14 (4) (a) (iii), the Performance Audit Committee must at least twice during the year submit an audit report to the municipal council concerned.

2. COMPOSITION OF THE COMMITTEE

The following Audit Committee members were appointed to serve in the Emnambithi-Ladysmith Municipality as per the Local Government Municipal Planning and Performance Regulation.

Mr TP Kunene (Chairperson)

Mr CJ Rautenbach

Mr HPH Kubheka

3. ALIGNMENT

The Emnambithi-Ladysmith Municipal Performance Management System specify objectives and targets defined and agreed upon aligned with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality.

4. FUNCTIONS OF THE COMMITTEE

The Government Municipal Planning and Performance Regulation, 2001 section 14 (4)

A Performance Audit Committee must:-

- Review the quarterly reports submitted to it in terms of sub-regulation (1)(c)(ii);
- Review the municipality's performance management system and make recommendation in this regard to the council of that municipality; and
- At least twice during a financial year submit an audit report to the municipal council concerned.

5. ACTIVITIES OF THE COMMITTEE

5.1 MEETINGS

The legislation required that the Committee meet four times a year. The Committee has integrated its activities with the Audit Charter of the Municipality and meetings were held on the under-mentioned dates:

25/07/2011

23/08/2011

23/09/2011

06/12/2011

29/05/2012

12/06/2012

5.2 OBSERVATIONS

The PMS was successfully implemented in the year under review.

The Performance Management Framework Policy was officially reviewed and adopted by Council.

All heads of Departments had signed and concluded their Performance Agreements and Plans.

Performance review did involve the participation of ward committees during the annual/mid-year report and the approval of the Performance Policy Framework and Organizational Scorecard.

The Performance Evaluation Committees were approved by Council.

5.3 EVALUATION OF PERFORMANCE

The evaluation of performances highlighted in a number of instances, that the non-achievement of annual targets were caused mainly as a result of the under mentioned factors: i.e.

i) Lack of skilled / semi-skilled staff

This seems to be an ongoing problem as the Municipality apparently is unable to attract competent people because of the salaries offered.

There is no easy solution to this problem however, as salaries are based on proper job evaluations and is also subjected to negotiations between various Labour Unions and the S.A. Local Government Association on behalf of Councils.

ii) Delays caused by the Supply Chain Process

This seems to be an ongoing problem as well despite efforts from the officials to speed up the process. One of the difficulties that is frequently highlighted in this regard, is the scheduling of meetings to attend to matters, simply because of the unavailability of members of the relevant Committee.

In an attempt to overcome this problem a number of different officials have been identified to act as Chairperson of the Committee, and it is trusted that the process will be dealt with quicker in future.

In certain instances service providers do not respond timeously and therefore also caused delays in obtaining the required services and/or materials.

iii) External factors

External factors over which the Municipality has no control such as weather conditions and Government and other grant funding.

a) Weather conditions

Rain has caused delays in the completion of a number of projects, which obviously is outside the control of the Local Authority.

iv) Grant Funding

Projects based on Grant Funding is usually being budgeted for on the assumption that the required funding will be available timeously for the execution of projects.

This is however not always the case and subsequent delays came about and the set objectives are not met timeously.

This was especially the case with Engineering- and Infrastructural services where an amount of approximately R8 million was not spent and care should be taken that the allocated funds should be retained for spending in the next financial year.

v) Moratorium on appointment of staff

In addition to the above, the Council also placed a moratorium on the filling of vacancies during the year under review pending the finalisation of a new organogram. This moratorium was only lifted during the latter part of the financial year and therefore impacted quite severely on the rendering of services.

The Manager: Performance Management for instance resigned during February 2012 and that particular position was only filled in September 2012, thus leaving a vacuum for 6 months, and resulted in certain evaluations not being done for instance that of middle managers.

vi) Auditor General's Queries not fully resolved

A major concern is the unresolved queries from the Auditor General before the end of the 2011/2012 financial year. Once again the moratorium placed on the appointment of staff impacted negatively on some of those issues.

The Auditor General for instance requested the appointment of an Information Technology Manager and the appointment of an Assistant Manager: Information Technology took place only after the closing of the financial year.

6. Clean Audit Report

One of the primary objectives of Council should be to obtain a clean audit report, and in this regard note should be taken as well that the Auditor General is moving towards giving an opinion on performance information in the near future.

To be able to obtain such a report, great care should therefore be taken in future that apart from sound financial management and other related matters, performance information is relevant, correct and timeously available.

CONCLUSION

In conclusion, the activities undertaken to date were in line with the legislative imperatives imposed on the PAC. Reviews of reports as well as the Municipality's performance were assessed in the most objective way. The PAC extends their sincere thanks and appreciation to the Municipal Manager, the Internal Audit Section and the Heads of Departments for their co-operation.



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Mr TP Kunene

Chairperson: Performance Audit Committee

05/11/2012
.....

Date

ANNEXURE "F"

AUDITOR GENERAL'S
MANAGEMENT REPORT



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

ENNAMBITH/LADYSMITH MUNICIPALITY

30 June 2012

MANAGEMENT REPORT

EMNAMBITHI/LADYSMITH MUNICIPALITY

30 June 2012

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FINAL MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE EMNAMBITHI/LADYSMITH MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2012

INTRODUCTION

1. Our responsibility is to express an opinion on the financial statements, to express a conclusion on the annual performance report in the management report and to report on material findings relating to compliance with specific requirements in key applicable laws and regulations as set out in the *General Notice* issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004). Our engagement letter sets out our responsibilities and the responsibilities of the accounting officer in detail.
 2. This management report includes audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with laws and regulations for the year ended 30 June 2012, which were communicated to management and includes their response to these findings. The report also includes information on the internal control deficiencies that were identified as the root causes for the matters reported. Addressing these deficiencies will assist in ensuring an improvement in the audit outcomes.
 3. The management report consists of an executive summary and financial health ratios and trends in Annexure A, and detailed audit findings which are contained in annexures B, C and D.
-

EXECUTIVE SUMMARY

SECTION 1: Meetings with oversight bodies and those charged with governance

4. During the audit cycle we met with key stakeholders to communicate matters relating to the audit outcomes of the municipality and emerging risks. Insight was provided on the drivers of the controls that impact these audit outcomes to enable corrective action to be taken.
 5. Meetings were conducted as follows:
 - Mayor: 14 December 2011; 30 August 2012; 11 October 2012; 26 October 2012
 - Accounting officer: 14 December 2011; 11 January 2012; 9 February 2012; 7 June 2012; 30 August 2012; 11 October 2012; 26 October 2012
 - Audit committee: 15 August 2011; 22 November 2011; 25 January 2012; 21 February 2012; 22 May 2012; 7 June 2012; 14 June 2012; 24 July 2012; 24 August 2012; 30 August 2012; 2 October 2012
 6. At these meetings commitments were made to address improvements in the internal control environment with the objective of achieving clean administration. The commitments given and the progress made on previous commitments are included under section 2, part F – Status of implementation of commitments and recommendations.
-

SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT

PART A – MISSTATEMENTS IN THE FINANCIAL STATEMENTS

7. Material misstatements in the financial statements were identified during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with the Municipal Finance Management Act No 56 of 2003 (MFMA).

Material misstatements				
Financial statement item	Finding	Occurred in prior year ("Yes/ "No")	Impact	
			R Current year	R Prior year
Material misstatements corrected				
Property, Plant & Equipment and Accumulated Surplus	Property, plant & equipment fixed asset registers do not agree to Annual financial statements	Yes	0	5 479 033
Disclosure: Depreciation	Difference between depreciation as per the statement of financial performance and the depreciation amount disclosed in the note to property, plant and equipment (Note 9) and Intangible Assets (Note 10)	No	5 741 686	
Disclosure: Accumulated Depreciation	Difference of R7 033 722 between Accumulated depreciation as per Note to the Annual financial statements and trial balance	No	7 033 722	
Disclosure: Commitments	Understatement of commitments	No	9 665 347	
Disclosure: Irregular Expenditure	No evidence of application of 80/20 points system	No	11 704 497	
Disclosure: Irregular Expenditure	Suppliers in service of State for which declarations of interest not obtained or not obtained timeously	No	184 262	
Disclosure: Change in Accounting Estimate	No disclosure note in respect of Change in Accounting Estimate	No	20 626 729	

PART B – MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS

EMPHASIS OF MATTER PARAGRAPHS

The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Significant uncertainties

8. As disclosed in note 38 to the financial statements, the municipality is a defendant in a number of lawsuits totalling R16,339 million, including Parking system of R15,821 million. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result.

Restatement of corresponding figures

9. As disclosed in note 29 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2011-2012 in the financial statements at, and for the year ended 30 June 2011.

Material losses

10. As disclosed in note 25 to the financial statements, the municipality suffered material electricity distribution losses amounting to R10,995 million (26,818 million kilowatt hours) during the year, representing 10,34% of electricity distribution losses.

Material impairments

11. As disclosed in note 15 and note 16 to the financial statements, the municipality provided for an impairment allowance of R72,816 million on trade and other receivables from exchange transactions, and an impairment allowance of R5,983 million on other receivables from non-exchange transactions, as the recoverability of these amounts were considered doubtful.

Material under-spending

12. As disclosed in note 7 to the financial statements, the municipality's application for the roll-over of unspent grants totalling R10,149 million in respect of the Neighbourhood Development Partnership grant (NDPG) and Integrated National Electricity Programme grant (INEP) was not approved.

Irregular expenditure

13. As disclosed in note 30 to the financial statements, the municipality incurred irregular expenditure of R18,449 million (2011: R3,156 million) due to not following the Municipal Supply Chain Management (MSCM) procedures.

ADDITIONAL MATTER PARAGRAPH

The following additional matter paragraph will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Unaudited supplementary schedules

14. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules, and accordingly I do not express an opinion thereon.

PART C – CONCLUSION ON THE ANNUAL PERFORMANCE REPORT

Included below is our conclusion on the annual performance report. All matters reported under the basis for conclusion and additional matter will be included in the auditor's report.

REPORT ON PREDETERMINED OBJECTIVES

Introduction

15. I have audited the annual performance report of the Emnambithi/Ladysmith municipality for the year ended 30 June 2012, as set out on pages ... to ...

The accounting officer's responsibilities

16. The accounting officer is responsible for the preparation and fair presentation of the annual performance report in accordance with the requirements of the applicable laws and regulations, relevant frameworks, circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives, and for such internal control as management determines necessary to enable the preparation of the report on predetermined objectives that is useful and reliable.

The Auditor-General's responsibilities

17. As required by sections 4 and 20 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), read with *General Notice*, my responsibility is to prepare an audit conclusion on the annual performance report.

18. I conducted my audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000: *Assurance engagements other than audits or reviews of historical information*.

I will report on whether I have received all the information and explanations required to conduct the engagement, or if I became aware of additional information, the omission of which may result in the report on predetermined objectives being materially misstated or misleading.

19. I provide limited assurance with respect to the usefulness of the information contained in the annual performance report.

I further provide limited assurance with respect to the reliability of the following selected material development objectives as set out in the annual performance report:

- Objective: Basic Service Delivery and Infrastructure Development
- Objective: Security and Public Safety Management
- Objective: Electricity – Improved access to basic services
- Objective: Housing – Human settlements
- Objective: Human Resource Management
- Objective: Economic Development – Improved access to basic services

20. The criteria used as a basis for the audit conclusion are as follows:

Usefulness of information:

Presentation: Performance against predetermined objectives must be presented in accordance with section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Consistency: Objectives, indicators and targets are consistent between planning and reporting documents as required by the National Treasury Regulations.

Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound, as required by the National Treasury *Framework for managing programme performance information*.

Relevance: The indicators/measures relate logically and directly to an aspect of the institution's mandate and the realisation of strategic goals and objectives, as required by the National Treasury *Framework for managing programme performance information*.

Reliability of information:

Validity: Reported performance has occurred and relates to the institution.

Accuracy: Amounts, numbers and other data relating to reported performance have been recorded and reported correctly.

Completeness: All actual performance that should have been recorded has been included in the reported performance information.

21. The audit involves performing procedures to obtain audit evidence about the usefulness of the annual performance report and reliability of the selected development objectives as set out in the annual performance report. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAE 3000. The procedures performed include the following:
- Understanding and testing the internal policies, procedures and controls relating to the management of and reporting on performance information
 - Evaluating and testing processes, systems, controls and review of documentation in place at a detail level in the audited institution to support the generation, collation, aggregation, monitoring and reporting of the selected performance indicators and targets
 - Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure thereof in accordance with applicable requirements and guidance
 - Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.
22. I believe that the evidence obtained from the work performed provides an appropriate basis for the limited assurance conclusions expressed below.

Basis for qualified conclusion

Usefulness of annual performance report

Presentation

23. Section 46(1)(a) and (b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires the annual performance report to include the performance of external service providers for that financial year and a comparison of the performances of each external service provider with targets set for and performances in the previous financial year.
24. The annual performance report of the municipality did not include the performance of external service providers. This resulted from inadequate monitoring of compliance with laws and regulations.

Basis for qualified conclusion

Reliability of selected development objectives in the annual performance report

Validity

25. The *National Treasury Framework for managing programme performance information (FMPPi)* requires that processes and systems which produce the indicator should be verifiable.

26. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity of the actual reported performance relevant to 50% of the Security and Public Safety management development objective. This was due to limitations placed on the scope of my work due to the institution's records not permitting the application of alternative audit procedures.

Conclusions

27. On the usefulness of the annual performance report on which I am required to express limited assurance.

Qualified conclusion

Based on my work described in this report, except for the effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to my attention that causes me to believe that the annual performance report is not useful, in all material respects, in accordance with the predetermined criteria.

28. On the reliability of the selected development objectives on which I am required to express limited assurance.

Qualified conclusion

Based on my work described in this report, except for the effects of the matters described in the basis for qualified conclusion paragraphs, nothing has come to my attention that causes me to believe that the selected development objectives set out in the annual performance report is not fairly stated, in all material respects, in accordance with the predetermined criteria.

Additional matters

29. I draw attention to the matters below. My conclusion is not modified in respect of these matters:

Achievement of planned targets

30. Of the total number of 140 targets planned for the year, 42 targets were not achieved during the year under review. This represents 30% of total planned targets that were not achieved during the year under review. This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

Material adjustments to annual performance report

31. Material audit adjustments in the annual performance report were identified and corrected by management during the audit. However, those that were not corrected are included in the basis for qualified conclusion paragraphs.

Audit findings in auditor's report

32. All audit findings included under the "Basis for conclusions" and "Additional matter" sections of this report, will be reported in the auditor's report.

PART D – FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS

Included below are material findings of non-compliance with specific requirements in key applicable laws and regulations.

Procurement and contract management

33. The preference point system was not applied in all procurement of goods and services between R30 000 to R200 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (Act No. 5 of 2000) and regulation 28(1)(a) of Municipal Supply Chain Management Regulations of 30 May 2005.



Annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the Municipal Finance Management Act. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

35. The accounting officer did not take effective steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Asset management

36. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

PART E – INTERNAL CONTROL

IMPLEMENTATION OF THE DRIVERS OF INTERNAL CONTROL

37. The implementation of effective internal control helps in the achievement of important objectives and sustained and improved performance. Objectives are derived from the regulatory environment and fall into the following categories:
- Operations – Effectiveness and efficiency of operations including goals for operational and financial performance and safeguarding resources against loss (financial and performance management)
 - Reporting – Pertaining to the reliability of reporting including internal and external reporting of financial and non-financial information
 - Compliance – Pertaining to compliance with laws and regulations.
38. Objectives are driven by the mandate and the mission and vision of the organisation. Setting objectives is a prerequisite to internal control and a key part of strategic planning.
39. Internal control is a multi-dimensional iterative process of ongoing tasks and activities, affected by the people not just policies and systems, which provide assurance concerning the achievement of objectives. The fundamental principles contained in the drivers of internal control below must be present and operate together in order for the system of internal control to be effective.
40. For purposes of focusing corrective action, the principles of the different components of internal control have been categorised under leadership, finance and performance management and governance. These are the drivers of internal control.
41. The leadership of an organisation sets the tone from the top regarding the importance of internal controls and expected standards of conduct. This establishes the control environment which is the foundation for the other components of internal control and provides discipline, process and structure. In order to establish what control activities (e.g. policies and procedures) are required to ensure achievement of the control objectives a risk assessment should be conducted. The availability of accurate and complete information and the communication of information, another component of internal control, are required to carry out the day-to-day internal control activities. Thereafter there should be ongoing monitoring of activities (good governance) to ascertain whether all components of internal control are present and functioning.
42. When internal control is effective, management and those charged with governance have reasonable assurance that operations are managed effectively and efficiently, financial and non-financial reporting is reliable and laws and regulations are complied with.



43. Below is our assessment of the implementation of the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the annual performance report and compliance with laws and regulations. Significant deficiencies occur when internal controls either do not exist or are not appropriately designed to address the risk or are not implemented and which either had or could cause the financial statements or the annual performance report to be materially misstated and material non-compliance with laws and regulations to occur. When the required preventative or detective controls are in place, it is assessed with a 😊, when progress on the implementation of such controls were made but improvement is still required, it is assessed with a 😐, while 😞 indicates that internal controls are not in place and intervention is required to design and implement appropriate controls. The movement in the status of the drivers from the previous year-end to the current year-end assessment is indicated, collectively for each of the three audit dimensions under the three fundamentals of internal control, with a ↑ (improved), ↔ (unchanged) or a ↓ (regressed).

The audit dimensions Fundamentals of internal control	Financial	Performance objectives	Compliance with laws and regulations
Leadership			
Movement from previous assessment	↓	↓	↓
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity	😞	😞	😞
• Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	😞	😞	😞
• Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	😞	😐	😐
• Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities	😐	😞	😐
• Develop and monitor the implementation of action plans to address internal control deficiencies	😐	😐	😐
• Establish an IT governance framework that supports and enables the business, delivers value and improves performance	😐	😐	😐
Financial and performance management			
Movement from previous assessment	↓	↓	↓

• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting			
• Implement controls over daily and monthly processing and reconciling of transactions			
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information			
• Review and monitor compliance with applicable laws and regulations			
• Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information			
Governance			
Movement from previous assessment			
• Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored			
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively			
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations			

LEADERSHIP

Oversight responsibility

44. Management has not exercised sufficient oversight responsibility regarding financial and performance reporting and compliance and related internal controls, as evidenced by audit findings.

Human resource management

45. There are no formal approved policies or procedures that apply to job creation and temporary appointments. Furthermore, the competencies of 90% of the Supply Chain Management and finance officials have not been timeously assessed.

46. The municipality has not implemented controls for monitoring and managing the service delivery of service providers. This is due to the failure in assigning the task of monitoring and managing the service delivery of service providers to an appropriate staff member.

47. Management has not assigned the task of implementing an adequate Business Continuity Plan and IT Disaster Recovery Plan to an appropriately staff member or team. As a result these plans have not been completed.

Policies and procedures

48. Management has not effectively established procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities with regard to monitoring of overtime schedules. IT change control procedures and guidelines have not been finalised and approved.

Action plans to address internal control deficiencies

49. Actions plans to address internal control deficiencies in respect of prior year IT audit findings have not been timeously implemented to ensure that these findings have been resolved in a timely manner.

IT governance framework

50. The municipality does not have an IT Governance framework in place.
51. An IT risk assessment and appropriate risk management plan is in place however this has not been performed.
52. The municipality does not have a Business Continuity Plan and a Disaster Recovery plan in place to ensure continuity.

FINANCIAL AND PERFORMANCE MANAGEMENT

Record management

53. The municipality did not maintain an adequate record management system to ensure that documents supporting inventory journals are properly filed and easily retrievable and are available for audit purposes. Inadequate evidence was maintained to support the achievement of targets for some of the objectives in respect of predetermined objectives.

Daily and monthly processing and reconciling of transactions

54. The accounting officer has not implemented proper controls over the daily and monthly processing of the bank and fixed asset and inventory accounts. This has resulted in significant delays experienced in the provision of a year-end bank reconciliation for audit purposes and material misstatements in the property, plant and equipment accounts not identified and corrected timeously. Lack of reconciling of reported performance information with supporting documents resulted in material adjustments to the annual performance report.

Regular, accurate and complete financial and performance reports

55. The municipality did not prepare regular, accurate and complete financial and performance reports as these were subject to material adjustments arising from audit findings.

Compliance monitoring

56. The accounting officer has not implemented proper controls to monitor compliance with laws and regulations, as evidenced by the numerous compliance findings arising from the audit.

IT systems



57. The user account management and password control standards and procedures are inadequately designed. This is due to management not assigning the task of designing user account management standards and procedures to an appropriate staff member.
58. IT management has not finalised and approved the change control procedures and guidelines. This has resulted in inadequate change management.
59. All IT related policies and procedures have not been established and therefore not communicated to users, to enable and support, understanding and execution of internal control objectives, processes and responsibilities.
60. There is inadequate information security controls implemented. This has resulted in unsecure data.

GOVERNANCE

Risk management activities and risk strategy

61. An IT risk assessment and appropriate risk management plan is in place however this has not been performed.

SUMMARY

62. The matters above, as they relate to the findings on the annual performance report and findings on compliance with laws and regulations, will be summarised in the auditor's report as follows:

Leadership

63. The accounting officer did not exercise effective oversight responsibility to ensure that the municipality complies with laws and regulations as well as has and maintains an effective system of internal control over monthly financial reporting and performance management. Consequently actions were not taken to mitigate weaknesses to timeously respond to financial, performance and compliance related risks.

Financial and performance management

64. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial and performance, as well as compliance reporting. In this regard, the accounting officer did not ensure that regular, accurate and complete financial reports and performance reports were prepared. In addition, compliance with applicable laws and regulations was not monitored regularly. This resulted in material corrections in financial statements, performance report and reportable compliance related issues.

PART F – STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

65. Below is our assessment of the progress on commitments made by the accounting officer and audit committee to address audit outcomes in the prior and current years. The municipality is encouraged to strengthen its internal monitoring by assessing the fundamentals of internal controls on a frequent basis to ensure sustainable clean administration.

No	Commitment	Made by	Date	Status
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1	- The accounting officer to ensure that the municipality complies with laws and regulations as well as maintain an effective system of internal control over performance management. - The remaining vacant posts will be filled shortly with COGTA's assistance as needed. - Processes are being put into place to evaluate the rest of the employees' performance at least annually during the current financial year. - The draft Job Creation policy will be reviewed and then submitted to Council for approval.	Mr M.V Madlala (Mayor)	14/12/2011	All in progress
			24/10/2012	
			24/10/2012	
			24/10/2012	
2	- Alignment of the IDP, Organisational Scorecards and Departmental Scorecards will be reviewed by the 30/03/2012. - From 31 October 2012, all outstanding monthly reconciliations for 2012-2013 will be brought up to date. Sundry creditors' suspense account will be reconciled monthly. Thereafter from November 2012, it will be done monthly. - Internal audit will incorporate the review of suspense accounts in its audit plan. - Salaries suspense accounts reconciliations will be signed as evidence of review. From end of October all outstanding reconciliations for 2012-2013 will be signed as evidence of review and thereafter on a monthly basis.	Mr. M. Khulu (Acting PMS manager)	31/01/2012	Implemented
		Mr M.V Madlala (Mayor)	24/10/2012	In progress
		Mr M.V Madlala (Mayor)	24/10/2012	In progress
		Mr M.V Madlala (Mayor)	24/10/2012	In progress
	- The municipality is preparing financials on a half-yearly basis and will move towards preparing financials on a quarterly basis from 2012-13 financial year. The first quarter will be prepared by end of November 2012 and thereafter quarterly financials will be prepared within the month after each quarter. - The Mid-year performance report will include reporting on expenditure linked to performance targets. Municipality to consult with COGTA for assistance on this issue. - The manual creditors' age analysis will be reconciled to the general ledger on a monthly basis from October 2012. A system will be considered and budgeted for whereby a reliable creditors' age analysis can be automatically generated and reconciled to the general ledger and supplier statements. - Fixed asset counts will be performed quarterly from the 2012-13 year.	Mr M.V Madlala (Mayor)	24/10/2012	All in progress
			24/10/2012	
			24/10/2012	
			24/10/2012	
	- The accounting officer will review and monitor compliance with laws and regulations governing performance management and financial management. - Unauthorised Expenditure: Charge-outs – To review and assess adequacy of provision and rectify in adjustment budget for 2011/12; Job Creation: -Any shortfall due to current challenges will be catered for in adjustment budget for 2011/12; Loss on assets and depreciation: Physical verification of assets will be conducted twice during 2011/12 to ensure all assets are accounted for and adequate depreciation is provided during the adjustment budget. - Design a declaration of interest form to be completed by all prospective and current suppliers when quoting. - Comprehensive monthly compliance checklists to be introduced. July, August and September 2012 to be submitted to management in October 2012. Thereafter the checklists will be submitted on a monthly basis.	Mr M.V Madlala (Mayor)	14/12/2011	In progress
		Ms AR Ngwenya (CFO)	31/01/2012	Implemented
		Ms AR Ngwenya (CFO)	31/01/2012	Implemented
		Mr M.V Madlala (Mayor)	24/10/2012	In progress

	The programme change management policy will be reviewed and approved by Council by 25 October 2012 and implemented thereafter.	Mr M.V Madlala (Mayor)	24/10/2012	In progress
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66. Three audit recommendations accepted by management in the prior year were implemented or alternative actions were taken which resolved the prior year audit findings. Detail on the status of these recommendations is provided in the summary of detailed findings in this report.

PART G – INVESTIGATIONS / OTHER AUDITS

67. There were no investigations in progress or completed during the financial year.

PERFORMANCE AUDITS

68. There were no performance audits that were completed or in progress during the year.

AGREED-UPON PROCEDURES ENGAGEMENT

69. There was no agreed-upon procedures engagement.

DONOR FUNDING

70. There were no audits undertaken with regards to donor funding.

SPECIAL AUDITS

71. There were no special audits undertaken.

SECTION 3: SPECIFIC FOCUS AREAS

PART A1 – SIGNIFICANT FINDINGS FROM THE AUDIT OF PROCUREMENT AND CONTRACT MANAGEMENT

The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective SCM system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure

72. R18,449 million (100%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. The root cause of the lack of effective prevention and detection is inadequate monitoring of compliance with laws and regulations by appropriate means e.g. checklists.

Awards to persons in the service of the state

73. SCM Regulation 44 prohibits awards to persons or to entities owned/ managed by them if they are in service of the auditee (i.e. employees and councillors) or if they are in service of any other state institution. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

The findings were as follows:

Finding	Number and value of awards made	Number of officials	Number of providers	Further non-compliance or irregularities regarding the awards			
				Provider did not submit declarations of interest	Provider did not declare interest (declaration submitted)	Officials did not declare interest	Official was involved in the procurement of the award
Awards to officials of the municipality	3 awards R8,640	1	1	0	1	1	0
Awards to officials of other state institutions	85 awards R525,903.68	12	12	2	10		0

Awards to close family members of persons in the service of the state

74. Awards to providers owned/ managed by persons that are close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation. The audit included the identification of awards to close family members. Further testing was also performed to determine whether the financial statement disclosure was made and the legislated requirements with regards to declarations of interest were adhered to.

The findings were as follows:

75. 100% of the awards to close family members, amounting to R12 900 (total value of the quotations), were not disclosed in the financial statements. These were subsequently disclosed by the municipality.

Procurement processes

76. The following findings on procurement processes result from the testing of 27 contracts with a total value of R80,978 million and 47 price quotations with a total value of R 2,329 million

Quotations

77. All awards between R 30,000 and R200, 000 to the total value of R11,704 million were procured without application of the 80/20 preference points system.

Internal control deficiencies

78. Management should ensure that there is ongoing monitoring and supervision to ensure that compliance is regularly monitored by appropriate means e.g. comprehensive compliance checklists.

PART A2 – SIGNIFICANT FINDINGS FROM THE AUDIT OF HUMAN RESOURCE (HR) MANAGEMENT

Effective human resource management

An assessment of human resource management has identified the following deficiencies:

Management of vacancies

79. The overall vacancy rate increased from 12% in the previous year to 14% in the current year.
80. The senior management vacancy rate increased from 6% in the previous year to 17% in the current year.

Competencies of key personnel

81. It was noted that 90% of SCM and finance official's competencies have not been assessed.

Overtime

82. Employees worked more than the maximum hour's overtime allowed.

PART B – FINANCIAL HEALTH

83. Management is responsible for the sound and sustainable management of the affairs of the municipality and to implement an efficient, effective and transparent financial management system for this purpose, as regulated by the MFMA.

84. Our audit included a high-level assessment of selected financial indicators as at year-end. The purpose of the assessment is to provide management with an overview of financial indicators to enable timely remedial action where financial health and service delivery may be at risk. The information should be used to complement rather than be a substitute for management's own financial assessment.

85. The entity's financial indicators have been assessed according to the following areas and are set out in the table below:

- budgets
- expenditure management
- conditional grants
- revenue management
- asset and liability management

86. The analyses on which the information in the table is based are contained in annexure A. The table is followed by overall high-level comments on the risks posed by the assessment of the financial indicators.

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
1.1	Percentage over-spending of the final approved operating expenditure budget.	Not over-spent X	% over-spent	Limitation
1.2	Percentage under-spending of the final approved capital budget.	Not under-spent	% under-spent 13,5%	Limitation
EXPENDITURE MANAGEMENT				
2.1	Creditor-payment period.	Days 21		Limitation
CONDITIONAL GRANTS				
3.1	Percentage under-spending of conditional grants received.	Not under-spent	% under-spent 44,4%	Limitation
3.2	Percentage by which unspent conditional grants received exceed cash available at year-end.	Bank in overdraft X	Not exceeded % exceeded	Limitation
REVENUE MANAGEMENT				
4.1	Debtor-collection period (before impairment).	Days 130		Limitation

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
4.2	Debtor-collection period (after impairment).	Days	Limitation	
		50		
4.3	Percentage of debtors written-off.	% debtors impaired	Limitation	
		61,9%		
4.4	Percentage of revenue not collected. (Bad debt written-off.)	% revenue not collected	Limitation	
		4,3%		
4.5	Percentage water losses incurred.	% water losses	Limitation	
		N/A	N/A	
4.6	Percentage electricity losses incurred.	% electricity losses	Limitation	
		10,3%		
ASSET AND LIABILITIES				
5.1	A deficit for the year was realised (total expenditure exceeded total revenue).	No	Yes	Limitation
		X		
5.2	A net current liability position was realised (total current liabilities exceeded total current assets).	No	Yes	Limitation
		X		
5.3	A net liability position was realised (total liabilities exceeded total assets).	No	Yes	Limitation
		X		
5.4	The year-end bank balance was in overdraft.	No	Yes	Limitation
			X	
5.5	Percentage of PPE and / or intangible assets impaired.	% PPE and intangible assets impaired	Limitation	
		0,00884		
5.6	Percentage of loan receivables (loans awarded) and/or investments impaired.	% loans and investments impaired	Limitation	
		0		
5.7	Long-term debt to operating cash flow ratio.	Negative/no cash flows	Long-term debt to cash flow ratio	Limitation
			0,3:1	
5.8	Employee benefit obligations to operating cash flow ratio.	Negative/no cash flows	Employee benefit obligations to cash flow ratio	Limitation
			0,3:1	

87. Although the municipality had a bank overdraft (cashbook balance) on the primary bank account at year-end, it has access to short-term investments and call deposits to the value of R187,783 million at year end.
88. Management should implement adequate monitoring controls to ensure that the spending on conditional grants received is improved.
89. Management should consider improving on debt collection period to reduce debt collection period to acceptable norms.

PART C – CONSULTANTS

90. Consultants were used in the preparation of financial records i.e. fixed asset registers, due to vacancies and shortage of technical expertise in the asset department.

PART D – FRAUD

91. The following audit findings indicate that the deficiencies in the respective controls would not prevent or detect fraudulent activities:

- Supporting schedules for payments made in respect of sponsorship of events are not adequately verified and assessed by the municipality prior to payments being made.
- There is inadequate record-keeping by the municipality to ensure that original signed service level agreements are kept, and that minutes of meetings with the service provider are adequately maintained.

SECTION 4: EMERGING RISKS

Accounting and compliance matters

92. New pronouncements/requirements

The ASB has issued the following 12 additional Standards of GRAP:

- GRAP 18 *Segment reporting*
- GRAP 20 *Related-party disclosures*
- GRAP 21 *Impairment of non-cash-generating assets*
- GRAP 23 *Revenue from non-exchange transactions (Taxes and transfers)*
- GRAP 24 *Presentation of budget information in financial statements*
- GRAP 25 *Employee benefits*
- GRAP 26 *Impairment of cash-generating assets*
- GRAP 103 *Heritage assets*
- GRAP 104 *Financial instruments*
- GRAP 105 *Transfers of functions between entities under common control*
- GRAP 106 *Transfers of functions between entities not under common control*
- GRAP 107 *Mergers*

The Minister of Finance prescribed an effective date of 1 April 2012 in the *Government Gazette* for those Standards of GRAP on the above list that are highlighted in grey. No effective date has been set for the remaining six Standards of GRAP.

93. New legislation

- Developments in SCM legislation

The revised Preferential Procurement Regulations came into effect on 7 December 2011. The most significant changes are the following:

- The regulations will also be applicable to schedule 2, 3B and 3D public entities effective 7 December 2012
- The introduction of B-BBEE certificates and the requirement for evaluation of functionality.

All organs of state should ensure that their policies and procedures are in compliance with these regulations to avoid any regression in terms of compliance findings.

- Municipal regulations on minimum competency level

Minimum competency regulations were issued on 15 June 2007. As per regulation 15 and 18, all municipalities must ensure that their staff complies with the competency requirements with effect from 1 January 2013. This means that the requirements are not yet applicable for the financial year 2011-12 (financial period ending 30 June 2012). However, municipalities will need to start aligning their recruitment policies to the regulations and put measures in place to ensure that they comply with the requirements by 1 January 2013.

- New framework for strategic and annual performance plans

The National Treasury *Framework for strategic plans and annual performance plans* will be fully effective on 1 April 2012.

SECTION 5: ENTITIES CONTROLLED BY THE MUNICIPALITY

94. In terms of the MFMA, the municipality does not have any oversight responsibilities regarding any municipal entities.

SECTION 6: RATINGS OF DETAILED AUDIT FINDINGS

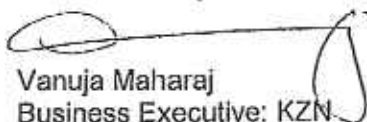
95. For the purposes of this report, the detailed audit findings included in annexures B to D have been classified as follows:

- Matters to be included in the auditor's report - These matters should be addressed as a matter of urgency.
- Other important matters – These matters should be addressed to prevent the likelihood that these matters may in future lead to material misstatements of the financial statements, material findings on predetermined objectives and compliance with laws and regulations.
- Administrative matters – These matters are unlikely to result in material misstatements of the financial statements, material findings on predetermined objectives and compliance with laws and regulations.

SECTION 7: CONCLUSION

96. The matters communicated throughout this report relate to the three fundamentals of internal control which should be addressed to achieve sustained clean administration. The AGSA staff remains committed to assisting in the process of identifying and communicating good practices to improve governance and accountability, so as to build public confidence in government's ability to account for public resources in a transparent manner.

Yours sincerely


Vanuja Maharaj
Business Executive: KZN
30 November 2012

Enquiries: Jonathan Soobramoney
Telephone: 033 264 7400
Fax: 033 264 7596
Email: johnnys@agsa.co.za

Distribution:

Accounting officer
CFO
Audit committee
Head of internal audit



SECTION 8: SUMMARY OF DETAILED AUDIT FINDINGS

Page. no.	Finding	Classification						Rating		Number of times reported in previous 3 years	Status of implementation of previous year(s) recommendation	
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters			
Borrowings and Long-term Loans												
50.	Overstatement of Finance Lease Liability	✓							✓		None	n/a
Employee costs												
85.	Organogram - Post affecting independence of Internal Audit Unit				✓					✓	None	n/a
51.	Excessive overtime			✓					✓		None	n/a
53.	Overtime schedule not monitored by Heads of Department				✓				✓		None	n/a
54.	Deceased employee paid				✓				✓		None	n/a
55.	Appointments				✓				✓		1	In progress
57.	Vacancy rate increased					✓			✓		None	n/a
Compliance												
38.	Minimum Competency levels not adequately assessed			✓					✓		None	n/a
39.	Non-Compliance with MFMA Section 32(4)			✓					✓		None	n/a
39.	No evidence of steps taken for the recovery of fruitless and wasteful expenditure			✓					✓		None	n/a
40.	Non-Compliance with Regulation 2(1)(a) of GNR796			✓					✓		None	n/a
41.	Auditees to render assistance				✓				✓		None	n/a
Procurement and Contract Management												

84.	Inadequate filing in Supply Chain Management Department						✓			✓		None	n/a
49.	Non-compliance relating to awards greater than R 10 million				✓				✓			None	n/a
44.	Suppliers in service of State				✓				✓		2	None	In progress
48.	Awards to persons in service of the state – employees of municipality				✓				✓			None	n/a
31.	No evidence of application of 80/20 points system				✓				✓			None	n/a
42.	Payments made to supplier not in accordance with contract conditions				✓				✓			None	n/a
Property, Plant and Equipment													
34.	Discrepancies in annual financial statements - Property, plant & equipment				✓				✓			None	n/a
58.	Laptops not returned						✓			✓		None	n/a
59.	Cell phones not returned						✓			✓		None	n/a
36.	Property, plant & equipment fixed asset registers do not agree to Annual Financial Statements				✓				✓			None	n/a
Inventory													
64.	Stores Control Account not reconciled to SAMRAS and Unsupported Journal entries Posted						✓			✓		None	n/a
Operating expenditure													
60.	Incorrect Appropriation of Funds for Expenditure				✓					✓		None	n/a
Predetermined objectives													
32.	Performance of external service providers not reflected on annual performance report		✓						✓			None	n/a
33.	Public Safety Objective – Emergency Relief - Targets not verifiable		✓						✓			None	n/a
65.	Material under spending of grants thereby impacting on Service Delivery						✓			✓	1	None	In progress
Receivables													
51.	Cell phone debts incurred for individuals who are no longer officials of the municipality						✓			✓		None	n/a
Revenue													
63.	Property Register not displayed on Website			✓						✓		None	n/a
63.	Investment Register inadequate						✓			✓		None	n/a
Information systems													

FINANCIAL HEALTH RATIOS AND TRENDS

ANNEXURE A

The analyses on which the financial indicators and discussion in *PART B – FINANCIAL INDICATORS* under *SECTION 3: SPECIFIC FOCUS AREAS* are based are set out below.

BUDGETS

Indicator reference	Financial statement amounts(R) 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Final approved operating expenditure budget	490,627,029		490,627,029
Under/(over) spending of the final approved operating expenditure budget	0		0
Final approved capital budget	87,672,000		87,672,000
Under/(over) spending of the final approved capital budget	11,862,976		11,862,976
			2011/12 %
Percentage over spending of the final approved operating expenditure budget	1.1		Not overspent
Percentage under spending of the final approved capital budget	1.2		13,5



EXPENDITURE MANAGEMENT

Indicator reference	Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Accounts payable	13,501,045		13,501,045
Total purchases	235,227,431		235,227,431
Creditor-payment period			
(Accounts payable ÷ Total purchases x 365)	2.1		
	2011/12 Days		
	21		

CONDITIONAL GRANTS

	Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Conditional grants received	126,719,583		126,719,583
Under/(over) spending of the conditional grants received	56,312,412		56,312,412
Unspent conditional grants received at year-end	56,312,412		56,312,412
Cash and cash equivalents / (bank overdraft) at year-end	183,166,946		183,166,946



2011/12 %	
44,4	
Not exceeded	

- Percentage under-spending of conditional grants received 3.1
- Percentage by which unspent conditional grants received exceed cash available at year-end 3.2

REVENUE MANAGEMENT

Indicator reference	Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Accounts receivable (before impairment)	127,302,967		127,302,967
Debtors impairment provision at year-end	78,798,654		78,798,654
Total revenue for services rendered for the year	357,515,501		357,515,501
Debtors written-off for the year	15,324,891		15,324,891

Indicator reference	2011/12 Days
Debtor-collection period (Days) (Accounts receivable [before impairment] ÷ Total revenue for services rendered x 365)	130
Debtor-collection period (Days) (Accounts receivable [after impairment] ÷ Total revenue for services rendered x 365)	50

Debtors impairment provision at year-end as a percentage of accounts receivable	2011/12 %
	61,9



Indicator reference	Financial statement amounts	Adjustments for material uncorrected misstatements	Financial statement amounts after adjustments for material uncorrected misstatements
4.4			4,3
Debtors written-off for the year as a percentage of total revenue for services rendered for the year			
			2011/12 %
4.5			N/A
Material water losses (Total of technical/real/physical losses plus non-technical/apparent/commercial losses; i.e. portion of total input into system/volume available not able to be billed)			
4.6			10,3
Material electricity losses (Total of technical losses plus non-technical losses; i.e. portion of total input into system/kWh available not able to be billed)			

ASSET AND LIABILITY MANAGEMENT

Indicator reference	Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
5.1	533,517,886 507,935,292 25,582,594		533,517,886 507,935,292 25,582,594
Total revenue for the year			
Total expenditure for the year			
Surplus / (deficit) for the year		0	



5.2	Total current assets	250,765,981		250,765,981
	Total current liabilities	157,321,895		157,321,895
	Net current assets / (liabilities)	93,444,086	0	93,444,086
5.3	Total non-current assets	788,669,351		788,669,351
	Total non-current liabilities	38,195,305		38,195,305
	Net non-current assets / (liabilities)	750,474,046	0	750,474,046
5.4	Total assets	1,039,435,331	0	1,039,435,331
	Total liabilities	195,517,200		195,517,200
	Net assets / (liabilities)	843,918,132	0	843,918,132
5.4	Cash and cash equivalents / (bank overdraft)	183,166,946	0	183,166,946
	Year-end carrying amount of the categories of PPE that were subject to impairment	731,374,440		731,374,440
	Year-end carrying amount of the categories intangible assets that were subject to impairment	0	0	0
	Year-end carrying amount of investments, if subject to impairment	0		0
	Year-end carrying amount of loan receivables (loans awarded), if subject to impairment	0	0	0
		0	0	0
	PPE impairment provision at year-end	64,686	0	64,686
	Intangible assets impairment provision at year-end	0	0	0
		64,686	0	64,686

Investments impairment provision at year-end	0	0	0
Loan receivables (loans awarded) impairment provision at year-end	0	0	0
	0	0	0
Long term employee benefit obligations	32,932,000		32,932,000
Net cash in- / (out-) flows from operating activities	116,800,661		116,800,661

2011/12
%

0,00884
0

2011/12
Ratio

0,3:1
0,3:1

PPE and intangible assets impairment provisions at year-end as a percentage of the carrying amount of the categories of PPE and intangible assets subject to impairment

5.5

Loan receivables (loans awarded) and investments impairment provisions at year-end as a percentage of the carrying amount of investments and loans subject to impairment

5.6

Long-term debt to operating cash flows ratio
Employee benefit obligations to operating cash flow ratio

5.7

5.8

DETAILED AUDIT FINDINGS

ANNEXURE B: MATTERS AFFECTING THE AUDITOR'S REPORT

Procurement and Contract Management

1. No evidence of application of 80/20 points system

Audit finding

Paragraph 3 of General Regulation 725 of the Preferential Procurement Policy Framework Act 5 of 2000 states that the 80/20 preference point system applies to tenders/procurement with a Rand value equal to, or above R30 000 and up to a Rand value of R500 000"

During the audit of Procurement and contract management the following was noted:

For orders between R30 000 to R200 000 there is no evidence that the 80/20 preference points system was used. The following serve as examples:

Supplier Name	Cheque/ACB Number	Order no	Total rand-value of award
The Timber Yard	108012	89030	R172 500,00
Doosan International Sac(Pty) Ltd	109832	93306	R182 400,00
Jay's Steel	109396	91050	R79 230,00
Computers Galore t/a One-Stop Computers	108364	89556	R49 700,00
Mica Hardware	107481	88252	R20 889,80

Internal control deficiency

Management does not monitor compliance with laws and regulations relating to procurement and contract management.

Recommendation

Management must monitor compliance with laws and regulations relating to procurement and contract management by appropriate means e.g. comprehensive compliance checklists.

Management response

Application of the 80/20 points system

The Supply Chain Management Policy section 4.4(b) states as follows:

"The request will be subject to the requirements of the Preferential Procurement Policy Framework Act and its Regulations, pending use of the financial system."

The municipality's financial service provider Byes Technology was in the process of developing the financial system to accommodate the Supply Chain Management processes. This process is complete and implementation is in progress

The expenditure for the period 1 July 2011 to 30 June 2012 is R14 635 776,74. The amount of R2 931 279,84 have been excluded from this total as the procurement process was adhered to and one quote was received. This indicates that there is no comparison to be done and the supplier would be awarded the procurement. The amount of R 11 704 496,90 will be disclosed in the Annual Financial Statements as directed.

A manual process for the calculation of the BBBEE points has been implemented for the 2012/2013 financial year.

Name: R Sompersadh
Position: Assistant Manager Finance
Date: 11 October 2012

Auditor's conclusion

Management comment noted. The amendments to the annual financial statements have been received and the irregular expenditure has been correctly disclosed. The absence of the application of the 80/20 points system in the procurement process as required by the SCM regulations amounts to irregular expenditure and the related non-compliance will be reported in the audit report.

Predetermined objectives

2. Performance of external service providers not reflected on annual performance report

Audit finding

As per paragraph 46 of the Municipal Systems Act 32 of 2000: "Annual performance reports—

(1) A municipality must prepare for each financial year a performance report reflecting—
a) the performance of the municipality and of each external service provider during that financial year;

b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and

c) measures taken to improve performance.

(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."

Inspection of Annual Performance report revealed that the performances of external service providers were not reflected as required by the MSA.

The annual performance report for the financial year under review was not prepared as required by section 46 of the MSA read with section 121(3) (c) of the MFMA.

Internal control deficiency

Ineffective oversight over the entity's planned and reported information on predetermined objectives and internal control by those charged with governance.

Recommendation

When drafting the annual performance report, management should ensure that the report includes the performance of external service providers as required by paragraph 46 (1) of the Municipal Systems Act 32 of 2000.

Management response

We agree with the findings, in that the performance of external service providers is not included in the Draft Annual Report. This will be done for the 2012/2013 financial year.

However, each department monitors the performance of the service providers appointed to provide a service relevant to their department. Example Engineering Services and Infrastructure Services convene site meetings with contractors appointed for projects where progress and performance are discussed. Minutes of the site meetings are maintained.



Furthermore, the Local Infrastructure Coordinating Committee has been constituted and meet on a monthly basis with effect from February 2012. At this meeting progress made on projects are discussed. Minutes of these meetings are maintained.

Name: S Mahraj

Position: Acting Manager Performance Management and Internal Audit

Date: 30/10/2012

Auditor's conclusion

Management comment noted. The inclusion of external service providers' performance in the 2012/13 annual performance report will be followed up during next year's audit.

3. Public Safety Objective – Emergency Relief - Targets not verifiable

Audit Finding

During the testing of the disaster response management system it was revealed that the "Goods for emergency support" form does not have a time of distribution therefore we were unable to verify the assertion in the Annual Performance Report that the distribution occurs within 12 hours.

Also progress achieved for the target is not aligned with the annual target. It was reported that the target was achieved at an average of 10 minutes, whereas the target is measured in terms of hours.

Demand/project	Measurable objective	Annual target	Progress Achieved
Emergency relief	To provide emergency tents in the event of disaster	within 12 hours	10min average response time

As a result, we were unable to confirm the validity of the actual reported performance relevant to 50% (>20%) of the Security and Public Safety management objective

Internal control deficiency

Ineffective oversight over the entity's reported information on predetermined objectives and internal control by those charged with governance.

Pertinent information is not identified and captured in a form and timeframe that supports complete and reliable performance reporting.

Recommendation

Management must ensure that adequate reviews of the annual performance report takes place prior to submission for auditing.

Management response

Goods for emergency support are distributed within 12 hours. We do a turn out with relief stock the moment that we relieved a disaster related complaint as indicated in the rolling out of the incident. Evidently this is not adequate enough.



The time of distribution is not recorded on the allocation form to support the achievement of the target. In future a column would be included that would indicate the time of distribution.

Name: BJ Strydom
Position: Disaster Control Officer
Date: 01/11/2012

In reference to the Amended Predetermined Objectives of the IDP 2011/2012, it appears that on the Annual Performance Report there appears to be a capturing error, and the incorrect target was reflected. It should have read "12 hours average response time". The Annual Performance Report has been amended accordingly.

Name: PS Mkhize
Position: Executive Manager Community Services
Date: 01/11/2012

Auditor's conclusion

Management comment noted. Management should ensure that adequate controls are implemented and monitored to ensure that appropriate evidence is maintained to support the achievement of targets.

Property, Plant and Equipment

4. Discrepancies in annual financial statements - Property, plant & equipment

Audit Finding

GRAP 1 Par 20 (b) states that a fair presentation also requires an entity to present information, including accounting policies, in a manner which provides relevant, reliable, comparable and understandable information.

During the review of the Annual Financial statements the following was noted:

- 1) The depreciation as per the statement of financial performance of R58 886 234, differs from the depreciation amount disclosed in the note to property, plant and equipment (Note 9) and Intangible Assets (Note 10) which reflects a total value of R53 144 548 resulting in a difference of R5 741 686.
- 2) Accumulated depreciation as at 30 June 2012 as per Note 9 and Appendix B to the Annual Financial Statements reflects a balance of R925 043 253 whereas the trial balance reflects a total of R932 076 975 resulting in a difference of R7 033 722.
- 3) The impairment of assets as per the statement of financial performance of R3 794 823 differs from the impairment amount of R 64 686 disclosed in the property, plant and equipment note to the financial statements (Note 9) resulting in a difference of R3 730 137.
- 4) The carrying value of Property, plant and equipment as per the statement of financial position is R729 927 700 and does not agree to carrying value per trial balance of R729 231 433 resulting in a difference of R696 267.
- 5) Note 9 to the Annual Financial Statements as at 30 June 2012 includes accumulated impairment of R64 686 as at 01 July 2011 however no impairment is reflected in the comparative note as at 30 June 2011.
- 6) Note 9 to the Annual Financial Statements does not cast. The carrying value for infrastructure assets as at 1 July 2011 is reflected as R536 340 090 however when casted, the carrying value is



R536 275 404. The difference is R64 686. The carrying value for infrastructure assets as at 30 June 2012 when casted is R555 549 897, whereas the carrying value reflected in Note 9 is R555 614 582. The difference is R64 686.

Internal control deficiency

Ongoing monitoring and supervision are not undertaken to enable management to determine whether internal control over financial reporting is present and functioning.

Recommendation

Management should ensure that in future accounts are reconciled to the trial balance and that the annual financial statements are adequately reviewed for completeness and accuracy prior to submission for audit.

Management response

1. During the 2011/2012 financial year, PPE was identified for impairment / write-off. The cost amount relating to this PPE was R5 741 686. The amount was erroneously deducted from the depreciation amount and twice from the cost of the PPE. The carrying value of PPE is however correct. This will be corrected in the financial statements to reflect the correct depreciation amount for 2011/2012.
2. The difference of R7 033 722 is made up of the R5 741 686, as per 1 above, and an amount of R1 295 673 relating to PPE that was identified for impairment / write-off in the 2010/2011 financial year, where the carrying value was incorrectly deducted from the cost amount. The balance of R3 637 is related to depreciation on Heritage Assets, incorrectly posted to Work-In-Progress line item i.s.o. depreciation in the trial balance. This will be corrected in the financial statements to reflect the correct amount for 2011/2012.
3. The amount of R3 730 137 is incorrectly reflected under "Carrying value of disposals in Note 9 to the Annual Financial Statements. Appendix B, however reflects the correct amount if cost and accumulated depreciation are taken into account. Note 9 to the Annual Financial Statements will be corrected to reflect the amount of R3 730 137 under impairment of assets.
4. The difference of R696 267 relates to the correction on Accumulated Surplus for prior year adjustments on PPE as per the previous query. This will be corrected in the financial statements, as the amount was incorrectly posted to Work-In-Progress and not to Accumulated Surplus.
5. This amount is not included in the carrying value of PPE, and therefore will be removed from the opening balance, as reflected in Note 9 to the annual financial statements. It only refers to the impairment amount in 2011/2012.
6. The difference in casting is related to 5 above. When the amount of R64 686 is removed from the opening balance under accumulated impairment, infrastructure assets will cast correctly. The financial statements will be corrected.

Name: Mrs Gcinile Mntambo

Position: Senior Accountant Financial Statements

Date: 27 September 2012

Auditor's conclusion

The amendments to annual financial statements and journals have been provided and audited. Some of these adjustments are material and amount to non-compliance with Section 122 of the MFMA. Furthermore, the material errors in fixed assets are as a result of an inadequate management, accounting and information system which accounts for assets being in place, as

required by section 63(2)(a) of the Municipal Finance Management Act, and the relevant non-compliance will be reported in the audit report.

5. Property, plant & equipment fixed asset registers do not agree to Annual Financial Statements

Audit finding

In terms of section 63 of the Municipal Finance Management Act of the Republic of South Africa, 2003 (Act no. 56 of 2003)(MFMA):

"(1) The accounting officer of a municipality is responsible for the management of—

(a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and

(b) the liabilities of the municipality.

(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—

(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;

(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."

During the audit it was noted that the fixed asset registers do not reconcile to the annual financial statements as follows:

1) Carrying value of Infrastructure assets per Fixed asset registers and Appendix B on the Fixed asset registers provided, is R471 827 032 and does not agree to carrying value per Note 9 and Appendix B to the Annual Financial Statements of R555 614 582, resulting in a difference of R83 787 550.

2) Appendix B as per the registers provided for audit purposes reflects a carrying value of R40 978 437 for Community Assets, whereas Appendix B and Note 9 to the Annual Financial statements reflects a value of R48 695 044, resulting in a difference of R7 716 607.

3) Appendix B as per the registers provided for audit purposes reflects a carrying value of R15 143 637 for Other Assets, whereas Appendix B and Note 9 to the Annual Financial statements reflects a value of R85 984 339, resulting in a difference of R70 840 702.

4) Fixed Asset Registers indicate a book value of R11 942 for Heritage Assets – Other, whereas Appendix B to the Annual Financial Statements reflects a carrying value of R10 874 – Difference of R1 068;

5) Fixed asset registers indicate a carrying value of R20 549 for Leased assets, whereas Note 9 to the Annual Financial Statements reflects a carrying value of R23 861 – difference of R3 312.

Furthermore the registers provided for audit purposes did not include the work-in-progress schedules.

Internal control deficiency

Management did not implement controls over daily, monthly and annual processing and reconciling of transactions in respect of property, plant and equipment.

Recommendation

Management should ensure that in future accounts are reconciled to the fixed asset registers and that the annual financial statements are adequately reviewed for completeness and accuracy prior to submission for audit.

Management response

The Fixed Assets Register does not include work in progress, only completed projects. The AFS include WIP as this amount has been spent on capital items that were still incomplete /under construction at year end.

Additional Journals were received but not processed on SAMRAS, these journals will now be processed on the financial system and Annual financial Statements will be adjusted accordingly. Thereafter the Annual financial Statements and Asset register will reconcile.

Name: Mr Zamo Majola

Position: Acting Assistant Manager: Assets & Inventory

Date: 27 September 2012

Auditor's conclusion

Journals and reconciliation have been provided and audited. These journals result in material adjustments to the annual financial statements and the non-compliance in terms of Section 122 of the MFMA will be reported accordingly in the audit report and management report. Furthermore, the material errors in fixed assets are as a result of an inadequate management, accounting and information system which accounts for assets being in place, as required by section 63(2)(a) of the Municipal Finance Management Act, and the relevant non-compliance will be reported in the audit report.

ANNEXURE C: OTHER IMPORTANT MATTERS

Compliance

6. Minimum Competency levels not adequately assessed

Audit finding

Paragraph 13 of Government Gazette, 15 June 2007, states that the municipal manager of a municipality must ensure that competencies of all financial officials and supply chain management officials are assessed in order to identify and address gaps in competency levels of those officials.

During the audit, it was noted on inspection of the returns submitted to National Treasury for assessment of competencies for the period Jan – June 2012 that only 9 of the total of 85 SCM and finance officials have their competencies assessed. This amounts to 90% of SCM and finance officials for whom competencies have not been assessed.

As a result the competencies of financial and supply chain management officials were not assessed promptly in order to identify and address gaps in competency levels as required by Regulation 13 of Municipal Regulations on Minimum Competency Levels No R493 of 15 June 2007.

Internal control deficiency

The municipality does not adequately review and monitor compliance with applicable laws and regulations.

Recommendation

Management must ensure that adequate progress towards finance and SCM officials achieving the minimum competency levels as required.

Management response

Although the Minimum Competency Regulations requires the assessments mentioned in the audit query, the regulations only contain competency levels in respect of the following officials:

1. Accounting Officer
2. Chief Financial Officer
3. Senior Managers
4. Financial Officials at Middle Management Levels
5. Heads of Supply Chain Management Units
6. Supply Chain Management Managers.

There is no indication or directives on how the competency levels of other finance and supply chain staff not mentioned above should be assessed.

It was an unfortunate oversight to have reported the figures to National Treasury in the absence of understanding what the regulations require in terms of competency assessment.

This matter will have to be clarified with National Treasury before the next reporting period.

Name: Mr H.A. Van Zyl
Position: Acting Executive Manager Corporate Service
Date: 08/11/2012

Auditor's conclusion

The progress made in addressing the competency assessments will be followed up next year.